FINANCIAL TIMES

World Business Newspaper http://www.FT.com MONDAY JANUARY 25 1999

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Germany, holder of the European Union's six-month rotating presidency, will press for strict limits on farm spending in the years to 2006, in an effort to force reform of the EU's expensive common agricultural policy. Page 12; **Hectic timetable to reform EU finances, Page 3**

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Last-ditch efforts are under way to reach a compromise in the conflict between the US and the European Union over trade in bananas, and avert a threat by Washington to impose sanctions on European exports. Page 4

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Israeli defence minister Yitzhak Mordechai will today announce whether he will run for prime minister on behalf of Israel's new Centrist party after he was sacked as defence minister at the weekend. Page 2

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Steelmakers have warned the European Union that a proposed environmental directive to stop vehicle manufacturers using lead in steel would add to costs and cause job losses. Page 3

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The World Bank and the United Nations are planning a renewed effort to break Burma's political and economic isolation. A joint delegation is expected to visit the country in March. Page 4

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The UK is under pressure to slow down the release of paramilitary prisoners under the Northern Ireland peace accord. Page 5

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Japan's Financial Supervisory Agency said bad loans held by domestic banks barely changed in the first half of the 1998 fiscal year, even though the banks made large write-offs. Page 4

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A leading Hong Kong property developer warned that a continued freeze on government land sales will erode the territory's competitiveness. Page 4

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Nigeria has ended a 10-year rift with the International Monetary Fund and reached agreement on a Fund-monitored economic programme. Page 3

Scorpion venom may treat cancer
A molecule isolated from scorpion venom could provide a powerful treatment for glioma, an incurable form of brain cancer. Page 2

BUSINESS NEWS

Dasa head gloomy over pan-European defence company

DaimlerChrysler Aerospace (Dasa) of Germany warned that the creation of a pan-European aerospace and defence company might be postponed *indefinitely*. It said other national companies could follow Dasa's example and *contemplate a "transatlantic alternative"*. Page 13

GE Capital, *the financial services* subsidiary of GE of the US, has acquired the equipment and auto leasing operations of Japan Leasing for about Y800bn ($6.9bn). The acquisition is the largest by a foreign buyer in Japan. Christopher Richmond, senior vice-president at GE Capital, said that his ambition was to overtake Orion Corp, the leader in Japan's leasing market. Page 13

Britain's top business people think Glaxo Wellcome, the pharmaceuticals company, and three other UK companies are among the world's 10 most *innovative* international businesses, according to a survey by MORI, the research organisation. Page 5; Lex, Page 12

Senior managers at Scania, the Swedish heavy truck manufacturer, have begun preparing a detailed defence strategy to counter a possible takeover bid from Swedish automotive rival Volvo. Page 13; **Volvo targets SE Asia, Page 16**

Eastern Europe's first international equity offering this year gets under way as the Estonian government begins selling a stake of nearly 24 per cent in the country's national telecommunications operator Estonian Telecom, which looks set to raise up to $227m. Page 13

The Basle committee of bank supervisors will this week call for rapid improvements in the way banks control and monitor lending to hedge funds and other highly-leveraged institutions. Page 2

Azkar, Spain's leading transport and logistics group, launches its second attempt at listing, with the start of a five-day subscription period that seeks to place 42 per cent of the company on Madrid's Bolsa in an initial public offering worth Pta24.6bn (€148m, $171m). Page 18

Hungary's government has thrown a lifeline to Ikarus, the busmaker, which has been granted $40m of export credit guarantees to sell buses to Russia. Page 19

Volatility on the Hong Kong stock market has forced Heilongjiang Agriculture Company, a mainland Chinese company, to postpone plans for a HK$1.7bn ($220m) listing. Page 14; **Chinese Itics to be restructured, Page 16**

Talisman Energy, one of Canada's largest oil producers, has taken a C$183m (US$120.4m) write-down on its North Sea oil and gas assets, the first of what are expected to be several year-end write-downs in the Canadian oil industry. Page 16

Euro prices
A comprehensive statistical guide to the euro currency zone, covering foreign exchange, bond and equity markets. Page 23

Samaranch recommends expulsion of IOC members

By Bill Hall in Lausanne

Executives of the International Olympic Committee yesterday suspended six IOC members and recommended that they be expelled, following allegations of bribery and corruption.

Three other IOC members have already resigned over the scandal.

Saying that those concerned had "done great harm to the Olympic idea", Juan Antonio Samaranch, the president of the IOC, announced the setting up of an independent ethics committee and said that the IOC will overhaul its process for vetting bids for future Olympic games.

The ethics committee will consist of a majority of non-IOC members.

Other measures include setting up an election committee that will substantially reduce the influence of the more than 100 individual IOC members. They will be prohibited from making official visits to bidding cities.

Mr Samaranch has been under growing pressure following allegations of corruption against several IOC members involved with the selection of Salt Lake City as the host of the 2002 winter games and concerns that other IOC decisions may have been influenced by the unusual generosity of the bidding cities to unpaid IOC members.

Mr Samaranch stressed that he had no plans to step down but would seek a vote of confidence from a special meeting of all the members of the IOC in March.

Yesterday's announcements were "the beginning not the end of our work", he said. He also promised to take personal responsibility for seeing the reforms enacted.

"We are resolute in our determination to root out improprieties and to ensure that this never happens again," he said.

He also stressed that while the IOC's investigation would be widened to other bidding contests there was no question that next year's Olympic games in Sydney and the Salt Lake City winter games in 2002 would go ahead.

The new ethics committee, designed to deal with the biggest scandal to rock the Olympic movement in years, will produce global guidelines to make sure that the IOC conforms in future with best practice in self-governance. It will consist of "outstanding individuals" drawn mainly from outside the Olympic movement.

Mr Samaranch, who joined the IOC in 1966 and has been president since 1980, has been under increasing pressure to deal firmly with the gathering storm.

The scandal has already triggered an investigation by the US justice department and raised concerns in the boardrooms of major Olympic sponsors, almost all of which are US multinationals such as Coca-Cola, IBM and McDonald's.

The six-strong investigative commission, headed by Richard Pound, 56, a Canadian lawyer and Olympic swimmer, met late into Saturday night and worked through lunch yesterday.

A total of 30 IOC members have been accused of accepting gifts and services worth $600,000 from Salt Lake City before it won its bid to host the winter games.

Though usually allowed into IOC meetings, journalists were barred from yesterday's meeting.

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Reign of Samaranch, Page 2

In the shadow of corruption: IOC president Juan Antonio Samaranch AP

Scientists ready to create life from scratch

By Clive Cookson in Anaheim, California

Scientists in the US say they are ready to create life from scratch in a laboratory. A project to create a bacterial cell from inanimate chemicals for the first time will go ahead as soon as it is passed by an ethics committee.

Craig Venter, a pioneer of gene discovery, said molecular biology and genetics had advanced enough to take what would be a momentous step.

"My assumption is that it will be possible to construct a totally man-made organism but we will not know until we try," said Dr Venter, who last year moved from the Institute for Genome Research to set up Celera, a large gene sequencing company.

"We have not decided to go ahead with the experiment yet because we want to give the ethics a chance to catch up," he said at the American Association for the Advancement of Science annual meeting. "Will we be setting off down a slippery slope that could have negative consequences?"

The bio-ethics centre at the University of Pennsylvania is reviewing the idea. The assessment will cover all foreseeable objections, including the threat that bio-terrorists might make use of the technology to create artificial germs.

The benefits of the project would be practical and scientific, Dr Venter said. Artificial organisms might have untold applications in medicine and industry.

The project would also address philosophical questions. Microbiologist Frank Young, who ran the US Food and Drug Administration and now heads the Reformed Theological Seminary, said: "The progress of genetics has raised to the fore a question that had not been asked intensively since the Middle Ages – what is the essence of life?"

As a theologian Dr Young did not believe that creating artificial life would pose ethical problems. Manipulating existing life was more of an issue, he said.

The scientists will first try to create the simplest possible cell with the minimum number of genes required to sustain life. Many details of the synthesis have yet to be worked out, but the project is likely to be very difficult and take several years to complete.

13 die in South African violence

By Victor Mallet in Johannesburg

Thirteen people lay dead last night at the end of a weekend of killings in South Africa triggered by the assassination of an opposition leader in KwaZulu-Natal province.

President Nelson Mandela cancelled a planned trip to Uganda, as the rash of killings raised fears of a new wave of political violence ahead of mid-year general elections.

Sifiso Nkabinde, the controversial secretary-general and provincial boss of the United Democratic Movement, died in a hail of bullets in the centre of Richmond, 40 miles west of Durban, on Saturday morning.

That night, armed men burst into the nearby home of a family loyal to the rival African National Congress, South Africa's ruling party, killing 11 men and women and wounding seven more. One of the attackers also died.

Yesterday there was a gun battle in Richmond, only yards from where Nkabinde died, after gunmen ambushed a group of visiting ANC officials. "The situation is out of hand," said ANC spokesman Bheki Cele, who survived the attack.

President Mandela called the violence horrifying and appealed for calm, accusing a "third force" of fomenting the trouble.

"The killing of Mr Nkabinde and the 11 people is an indication of the frustration of those who want to plunge the country into violence," he said. "South Africans should work together to defeat them."

Nkabinde's fellow UDM leaders, however, suggested the assassination was the work of the ANC, which has been competing with the UDM and the mainly Zulu Inkatha Freedom party for control of the region.

"It was a well-planned assassination attack by our political enemy, and Sifiso [Nkabinde] had only one political enemy – the ANC," Sifiso Bhengu, UDM deputy chairman, was quoted as saying in a South African newspaper. "There could be war."

KwaZulu-Natal has been racked by violence since the mid-1980s, when Inkatha and the ANC fought for the allegiance of black South Africans as the apartheid system crumbled. More than 15,000 people have been killed in the fighting. More than 100 people have died in politically motivated attacks in the Richmond area in the past year and a half, but an uneasy truce recently enforced by soldiers and police had held until Nkabinde's death this weekend.

Nkabinde was a warlord who surrounded himself with bodyguards. He was a prominent ANC member until he was accused of having spied for the apartheid-era security forces and expelled from the party two years ago.

He was charged with 16 murders but eventually acquitted and released last year, when he became a leader of the UDM.

National Front split by Mégret victory

By David Owen in Marignane

Bruno Mégret was yesterday elected president of a "renovated" National Front by a rebel congress of the extreme right-wing French party.

His victory, with more than 86 per cent of votes cast by delegates to the breakaway NF faction meeting near Marseilles in southern France, puts Mr Mégret on course for a showdown with Jean-Marie Le Pen, the Front's long-time leader, in the June European elections.

The split also gives the moderate right their first opportunity to draw back voters at the European parliamentary poll from a divided Front.

The 49-year-old former heir to Mr Le Pen now heads a rival faction to compete for the 15 per cent of the national vote held by the Front, with Mr Mégret and Mr Le Pen both claiming to be the legitimate head of the party.

Unless Mr Mégret can outscore a rival hard-right Le Penite list that looks set to run against him, and prevent a haemorrhage of Front support to the mainstream parties, his rise to prominence may prove shortlived.

He will have to prevent his bombastic rival from making his high public profile and popular touch tell. The delegates gave unanimous support to a supposedly conciliatory motion appointing Mr Le Pen honorary president of the party.

Mr Mégret's dense 50-minute concluding address to more than 2,000 supporters underlined his lack of charisma.

But the low-key nature of the event in part reflected the narrow path Mr Mégret has to tread. If he is to attain power, he must quickly wean support away from Mr Le Pen and rid the Front of its stigma as a pariah party.

Based on yesterday's message, his main weapons are set to be a change in style, away from Mr Le Pen's demagoguery, but not a change in policies.

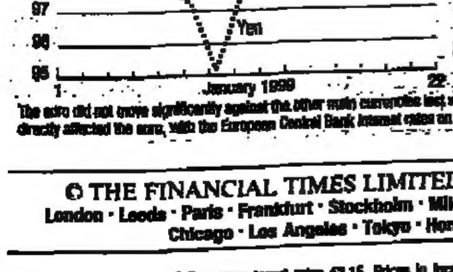
"Those who were hoping that at Marignane the Front would put water in its wine were wrong," he said.

Indeed, any thoughts that a Mégretiste Front might dilute the party's racist policies were laid to rest in a speech by delegate Jean-Yves Le Gallou.

He pledged to put "immigration-invasion" at the heart of the party's European campaign, asking: "Must Germany become a Turkey of the west? The British Isles the new West Indies?"

EXCHANGE RATES AGAINST THE EURO

Progress of the euro
Currencies vs euro (rebased Jan 1 1999=100)



The euro did not move significantly against the other major currencies last week. There was little news which directly affected the euro, with the European Central Bank interest rates on hold on Thursday.

Euro exchange rates	
Dollar	1.1582
Yen	132.18
Sterling	0.7002
Swedish Krona	8.8852
Danish krone	7.4365
Greek Drachma	322.18
Swiss franc	1.6004

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WORLD NEWS

Venom hope for cancer treatment

By Clive Cookson in Anaheim, California

A molecule isolated from scorpion venom could provide a powerful treatment for an incurable form of brain cancer. Details of the potential drug, to begin clinical trials this year, were announced at the American Association for the Advancement of Science meeting.

Harald Sontheimer, who is leading the research at the University of Alabama, said the chlorotoxin molecule, extracted from a large Israeli scorpion, could be developed into the first drug capable of reducing the death toll from glioma.

Glioma is one of the most deadly cancers. Its cells have normally proliferated throughout the brain by the time the disease is diagnosed. In the US 24,000 new cases occur annually, of which 18,000 cause death within a year of diagnosis.

The drug's development is based on Dr Sontheimer's discovery that the cancer cells use a protein, called glioma choride ion channel (GCC), to infiltrate themselves through the brain. The normal function of GCC is to help the embryonic brain grow, but it is not produced anywhere in the body of healthy children or adults. Therefore, a drug aimed at GCC should stop the glioma without causing side-effects.

The Alabama scientists screened toxins from various spiders, insects and scorpions for specific activity against GCC. These creatures are known to paralyse their victims by interfering with ion channels, which act like molecular batteries in the brain.

The only one that reacted specifically with GCC was chlorotoxin, derived from Lelurus quinquestratum, a 10cm-long yellow scorpion.

Dr Sontheimer and colleagues then worked with TransMolecular, an Alabama biotechnology company, to turn chlorotoxin into a human drug candidate.

Experiments with glioma cell cultures and laboratory animals have given encouraging results, Dr Sontheimer says. The first clinical trial is due to start this year.

Dr Sontheimer warned, however, that his treatment, like several well publicised "cancer cures", might fail when it reached the clinic.

ISRAELI SACKING DISMISSED DEFENCE MINISTER JOINS CENTRIST PARTY

Mordechai may stand for PM

By Judy Dempsey in Jerusalem

Yitzhak Mordechai will today announce whether he will run for prime minister on behalf of Israel's new Centrist party, after Benjamin Netanyahu unexpectedly sacked him as defence minister.

In a move which dismayed even his close supporters, Mr Netanyahu dismissed Mr Mordechai at the weekend, accusing him of "personal ambition" as well as failing to "fully support the government's policies and decisions".

The popular Mr Mordechai, 54, who joined the governing Likud party in 1996, had this month been holding talks with the Centrist party that Mr Netanyahu said amounted to a "conspiracy to topple the government in which he was serving". He confirmed last night that he was leaving Likud to join the Centrist party.

In an uncharacteristically candid statement, Mr Mordechai said Mr Netanyahu was a liar and "not worthy of my support and not worthy of the support of the people of Israel".

If, in the direct elections on May 17, Mr Mordechai decides to challenge Mr Netanyahu from the Centrist party, analysts said it would deal a significant blow to the prime minister, who owes some of his 1996 victory to his defence minister. Elections were called last month after Mr Netanyahu's nationalist coalition collapsed.

Mr Mordechai is expected to take votes from Likud, particularly those of Sephardic Jews from North Africa, Iran and Iraq, who are the party's main constituency.

The former defence minister, an Iraqi-born Kurd, would be the first Sephardic candidate for the premiership – providing a boost for the self-confidence of a section of the population which believes that the Ashkenazim, Jews from eastern Europe, have for too long dominated the political establishment.

A poll published in the Yedioth Ahronoth newspaper yesterday showed that a third of voters who supported Mr Netanyahu during the 1996 election would switch to Mr Mordechai if he headed the Centrist party.

Mr Mordechai, who repeatedly criticised Mr Netanyahu's tough stance on negotiations with the Palestinians, is also angling for the religious vote, particularly from among Shas, the Sephardim ultra-Orthodox party. In the 1996 elections, it won 10 seats at the expense of Likud.

Yesterday, Mr Mordechai prayed at the Western or Wailing Wall and then visited Rabbi Ovadia Yosef, the spiritual leader of Shas, who instructs his members which way to vote in the May elections.

Survival skills mark reign of Samaranch

By Patrick Harverson and Jimmy Burns

Yesterday, the International Olympic Committee was told by internal investigators in Lausanne that six IOC members should be expelled from the movement for accepting bribes and inducements from Salt Lake City during its bid to host the 2002 Winter Games. Their recommendation raised an obvious question: should Juan Antonio Samaranch, the IOC's long-standing president, go too?

There was a growing campaign this week for the 78-year-old Spaniard to fall on his sword. No evidence has been uncovered that Mr Samaranch was personally involved in the scandal. He has admitted receiving gifts from candidate cities but because he never votes on the destination of the Olympic Games they could not be construed as bribes.

However, critics say he must take the blame for failing to act against corruption earlier.

Allegations that IOC voters have received money, gifts and other inducements to vote for candidate cities have been around since the 1980s. Most believe that if Mr Samaranch had ordered a thorough investigation, evidence of wrongdoing would have been found long ago.

Yet Mr Samaranch intends to sit tight during this, the most damaging crisis in the Olympic Games' 105-year history. If he did resign as an act of contrition on behalf of the entire movement, it would be out of character. He would have not have prospered as a senior figure in Spanish politics during the era of General Franco, and subsequently risen to become the most powerful man in world sport, if he had not possessed remarkable diplomatic and political skills.

Born in 1920 in Barcelona to one of Catalonia's richest families, Mr Samaranch supported Gen Franco in the Spanish civil war and during the Franco years he became one of the most powerful men in the country.

After serving as a deputy in the Barcelona local authority and then as a Catalan representative in the strictly controlled Madrid parliament, in the late 1960s Mr Samaranch was appointed by Franco as the national delegate for sport, in effect a ministerial role.

After Franco's death in 1975, he successfully manoeuvred into new positions of power and influence, first as Spanish ambassador to Moscow, and then as IOC president from 1980. After an early setback when the Soviet bloc boycotted the 1984 Los Angeles Olympics, Mr Samaranch set about turning the Games into a more commercially-minded event while healing political divisions and bringing more nations into the Olympic movement.

Samaranch: Franco supporter

Although Mr Samaranch successfully oversaw the introduction of professional sport to the Olympics, more recently his tenure has been dogged by the dual problems of corruption (until now, mostly alleged rather than proven) and more seriously, the use by competitors of illegal performance-enhancing drugs. Mr Samaranch's suggestion last year that athletes be allowed to use drugs so long as they were not harmful to health revealed an untypical lack of political touch.

What are the chances of his surviving the current crisis? No prominent IOC figures have publicly called for Mr Samaranch's removal, which suggests he retains the support of the people that matter. The IOC would not want to endure a potentially divisive presidential election campaign this year, so Mr Samaranch will probably stay on until his final term expires in 2001.

Salt Lake City: a case for the Sundance Kid?

Christopher Parkes reports from a town in turmoil over the Olympics scandal

Robert Garff has taken a beating. Grey-faced and frustrated by his inability to strike back, the chairman of the Salt Lake Olympic Organising Committee shows his bruises.

"Whenever I'm on TV I bet half the population believes I'm guilty," he says. "Never in my wildest dreams would I have been placed in a position where I had to face the world's press with only a broom in my hand."

In 10 days or less the SLOC ethics committee is expected to file its report on the dealings of the now-defunct bid committee which landed Mr Garff, a car dealer, and Salt Lake City in such a predicament.

Mr Garff hoped the report published yesterday by the International Olympic Committee on irregularities throughout the Olympic bidding process would confirm his belief that he and Salt Lake were victims of "an ethical breakdown, fostered and enabled by the IOC".

The report, assiduously leaked and, according to Mr Garff, "perplexingly" larded with findings from the SLOC's own unfinished ethics probe, was embraced in advance throughout the city as an opportunity to place the Salt Lake City allegations in to their full and proper context.

"We have been the focal point for so long," mourned Mayor Deedee Corradini.

"We've been handed a lemon and we are going to make lemonade with it," says Michael Lawson, chief executive of the state economic development corporation. Looking beyond the scandal, he says, the winter games, with the associated construction of new roads, resorts and a light rail system, means infrastructural development which will permanently enhance the quality of life in the region.

There were few doubts that, whatever the downside, the controversy has put Utah on the map with winter tourists who, local officials said, are calling for information in record numbers.

For now, however, there is bitterness in the business community that the Olympics' overseers – in Salt Lake, US headquarters and Switzerland – failed to respond rapidly or decisively enough to the crisis. Some blame the byzantine Olympian hierarchy.

"It's like a Rubik's cube," says one executive. People think they know all about Salt Lake and bribery, but no one knows anything about the complexity."

Mr Garff, less than two years in a post created after the bid committee finished its work in 1995, and claiming never knowingly to have met anyone from the IOC, knows only that the fuss is diverting his attention from the job of overseeing preparation for the games.

Yet he seems one of the few people in town unwilling to point an accusing finger.

No crimes that he is aware of have been committed. David Johnson, the leading fund-raiser forced off the SLOC earlier this month when the bomb dropped, once worked for him and never showed any "questionable" tendencies.

With the release of the ethics investigation findings, he hopes, any remaining Utah skeletons will be unearthed. Clues to the whereabouts of any other bodies should emerge, along with the answer to the riddle of how six years of audits by "a Big Six firm" of bid committee figures failed to find anything amiss. "Where were they? I don't have a good answer to that," he says.

Most pressing now for Mr Garff is the search, not yet started, for a replacement for the SLOC chief executive, Frank Joklik, former CEO of the Kennecott mining group, who stood aside earlier this month after removing the alleged villains of the bid imbroglio.

"Well, who's going to do that now?" asks one local retailer. "You can count Salt Lake people with that kind of know-how on half a hand."

"I'd ask Robert Redford. People would trust him," says a customer favouring the state's best known resident and organiser of its Sundance Film Festival.

But with a budget of almost $1.5bn, an estimated paid workforce of 700 and 30,000 volunteers, the games will rank briefly as the biggest enterprises in the state and have a short-term economic impact estimated at up to $2.8bn. For that, Mr Garff needs a skilled executive, perhaps someone looking for "a culminating civic event" or a springboard into a public career. "I'm not a candidate. I'm a car dealer. I have other things in my life."

NEWS DIGEST

NUCLEAR SHUTDOWN PLAN

Power companies warn Schröder on waste ban

Germany's electricity generating companies warned last night that Chancellor Gerhard Schröder's attempts to strike a deal on the shutdown of nuclear power stations could collapse if the government did not retreat on a ban on reprocessing nuclear waste overseas from next year.

Their hardline stance came ahead of a meeting today with Mr Schröder, which is due to prepare the ground for wider "consensus" talks scheduled for tomorrow.

Wilhelm Simson, head of the Munich-based Viag electricity group, warned that if the government stuck to its plans for a reprocessing ban, "then a consensus would no longer be conceivable. We have no room for manoeuvre." The reprocessing ban is part of a draft bill on atomic power intended to pave the way for the eventual closure of Germany's 19 nuclear stations. If unresolved, the conflict threatens to sour still further Mr Schröder's relations with business. **Ralph Atkins, Bonn**

HYATT HOTEL CHAIN

Jay Pritzker dies

Jay Pritzker, the patriarch of Chicago's Pritzker family, which owns the Hyatt hotel chain as well as an array of industrial assets, died at the weekend after suffering a heart attack. He was 76.

Pritzker was born in Chicago in the early 1920s, grandson of two Ukrainian immigrants from a Jewish ghetto near Kiev. He began his commercial career working in the family law firm but sprang to prominence partly through the development of the Hyatt hotel chain, and partly through his aggressive investment in struggling industrial companies.

The first Hyatt was acquired by Pritzker in the 1950s, and the chain steadily expanded to take in several hundred properties.

At the same time, Pritzker also built up a wide assortment of industrial interests, partly through the quoted Marmon Holdings, which began as a small manufacturing company but became a conglomerate with $6bn in sales.

Some of the deals were controversial, although Pritzker generally avoided hostile acquisitions and throughout his life tended to shun publicity.

In true Chicago fashion, Pritzker combined his aggressive business dealings with extensive, and rather more public, philanthropy. Last year, Forbes magazine estimated his wealth at about $5bn. **Nikki Tait, Chicago**

CHINESE VISIT PLANNED

Taiwan invites officials

Taiwan has called on China to send officials to the island before the end of February to prepare for a ground-breaking visit by the mainland's top negotiator on Taiwan issues.

Taiwan's Straits Exchange Foundation invited its mainland counterpart body, the Association for Relations Across the Taiwan Strait, to send an official to take part in the preparatory talks.

The SEF and Arats are quasi-official organisations that handle contacts between Taipei and Beijing, which have been bitterly divided since the end of the Chinese civil war in 1949. The two bodies are to prepare for an unprecedented tour by Wang Daohan, Arats head and the mainland's top Taiwan affairs negotiator. **Mure Dickie, Taipei**

KOSOVO CAPTIVES EXCHANGE

Serbs release nine prisoners

International observers in Kosovo yesterday confirmed Serbia had released nine ethnic Albanians in exchange for eight Yugoslav soldiers freed by separatist rebels earlier this month.

Release of the ethnic Albanians, captured last month while trying to infiltrate Kosovo from Albania, had been in doubt as the Serbian government repeatedly insisted on the unconditional handover of the eight soldiers held by rebels of the Kosovo Liberation Army (KLA).

Diplomats said the nine ethnic Albanians, including a 17-year-old girl, were handed over to observers of the Organisation for Security and Co-operation in Europe (OSCE) in Suva Reka on Saturday evening. One hour later the KLA freed five elderly Serb civilians taken hostage in northern Kosovo on Thursday. **Guy Dinmore, Belgrade**

PESO REPLACEMENT

Menem defends dollar plan

President Carlos Menem of Argentina was quoted yesterday as defending his proposal to replace the peso with the US dollar, condemning criticism that it would undermine Argentina's economic sovereignty as stupid.

"On the contrary, we would have a stronger sovereignty because, currently, even if there are rumours of a devaluation, the whole world runs out to buy dollars."

The country's central bank said last week it was studying the prospect of a "dollarisation" of Argentina's currency, which would replace the peso with the dollar as the national currency.

"Argentina will not have less sovereignty if it adopts a common currency for the whole continent or with another country, which in this case would be the US," Mr Menem said. **Reuters, Buenos Aires**

Call for better monitoring of lending to hedge funds

By George Graham, Banking Editor

The Basle committee of bank supervisors will this week call for rapid improvements in the way banks control and monitor lending to hedge funds and other highly leveraged institutions.

Although the report is understood to be highly critical of the way many banks let down their guard in dealing with Long Term Capital Management, whose massive borrowings last year led it to the brink of collapse, it is not expected to recommend direct controls over hedge funds.

William McDonough, president of the Federal Reserve Bank of New York and chair- said last week the report analysed the way firms such as LTCM had managed to secure such great leverage and recommended best practices for dealing with highly leveraged institutions.

The report, compiled by Jan Brockmaijer of the Dutch central bank, is not expected to recommend the establishment of a central credit registry, as proposed by some regulators.

A group of 12 leading US and European banks, all involved in the $3.6bn rescue of LTCM, this month set up a policy group to draw the lessons of the LTCM bailout.

One problem that arose with LTCM was that many banks believed their own exposure to the fund was were unaware of the extent of its borrowings from other institutions. But a majority of international regulators appears to believe this problem can be addressed using existing monitoring mechanisms. Any central clearing-house for information on exposures would be expensive to set up and manage.

Some commercial banks have argued that LTCM demonstrated shortcomings in the credit risk management of investment banks, less used to lending money directly. However, the commercial banks scarcely emerged from the LTCM episode with more glory.

Most lending to LTCM was offset by collateral, eliminating the need for banks to

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EU DIRECTIVE PLAN WOULD 'LIFT COSTS'

Steelmakers warn on lead proposal

By Kevin Brown and John Griffiths

Steelmakers have warned the European Union that a proposed environmental directive to stop vehicle manufacturers using lead in steel would add hundreds of millions of euros to EU manufacturing costs and cause hundreds of job losses.

The end-of-life vehicle directive is intended to force member states to scrap and recycle old cars. But French, German, Spanish and British steelmakers are campaigning against provisions which would stop carmakers using small amounts of leaded steel to make parts easier to machine.

Ford and Volkswagen, two of Europe's largest vehicle producers, said the directive was a concern for the entire industry. "Research is going on in a lot of different directions to try and solve the problem," Ford said.

"It is simply not possible to phase out all lead from steels destined for automotive uses, as it would no longer be workable for things like stamped body panels."

The steel industry supports the broad thrust of the directive, which would make recycling centres compulsory in all EU countries. Owners would a certificate of destruction to scrap vehicles.

But Eurofer, the European steel producers' association, has asked the Commission for an exemption from the lead in steel provisions, claiming a ban would be pointless because lead cannot escape during recycling.

The steelmakers also say that removing lead from vehicle steels would make it more difficult to machine into intricate vehicle parts, increasing energy consumption and greenhouse gas emissions.

Eurofer claims that forcing EU manufacturers to stop using leaded steel would cause an additional 5,000 tonnes of carbon dioxide emissions a year, and add €225m ($261m) a year to the cost of machining components for vehicles and other products.

One of the biggest losers would be British Steel, which makes 500,000 tonnes a year of leaded machining steel at its Rotherham and Scunthorpe plants – more than a third of the 1.3m tonnes produced in the EU.

The company declined to say exactly how many of the 4,000 jobs at the two plants were at risk.

The steel industry's call for an exemption will be debated by the European Parliament's environment committee next week, before being debated by a plenary session of the parliament in Strasbourg on February 10 and 11.

Nigeria agrees IMF economic programme

By Michael Holman and Tony Hawkins in Abuja

Nigeria has ended a 10-year rift with the International Monetary Fund and reached agreement on a Fund-monitored economic programme, senior officials in the country's military government said yesterday.

The programme, expected to be approved by the IMF board by mid-February, is believed to include the main elements of the budget presented earlier this month. The IMF pushed hard for the restructuring of public spending on poverty alleviation by cutting outlays on prestige projects. A tight monetary policy will also be needed to sustain the naira.

Provided it is followed through by the military government and adopted by the civilian administration due to take office at the end of May, the agreement should pave the way for a debt-rescheduling agreement with the Paris Club of official creditors next year and the resumption of World Bank and other donor support. It should also lead to a reappraisal of Nigeria as a market by export credit agencies.

Britain, whose export credit debt is £3bn ($5bn) and which has suspended export cover, may now consider supporting blue-chip projects.

"It marks the re-entry of Nigeria into the international economic community," a member of the Nigerian negotiating team said. "We now need early debt relief if the reform programme is to succeed."

Although western governments have warmly welcomed the economic and political reforms introduced by General Abdulsalami Abubakar since he took office last June, there is little likelihood of an early rescheduling deal.

Gen Abdulsalami Abubakar: reforms since he took office last June warmly welcomed by west AP

Given the failure of past IMF agreements, creditors will be awaiting the outcome of next month's presidential polls, the last stage in the phased transition to civilian rule. Leaders of the three parties contesting the elections have not been consulted about the programme and no agreement on debt is likely until the new civilian government has shown its commitment to the reform programme.

Nigerian officials made clear yesterday, however, that the country's economic difficulties were so acute the incoming government would have no choice but to exploit all opportunities to borrow funds at concessional rates. An IMF enhanced structural adjustment facility loan would give Nigeria access to an estimated $1bn.

Iraq angry at Arab refusal to condemn air strikes

By Mark Huband in Cairo

Iraqi delegates stormed out of a meeting of Arab ministers yesterday in protest at their refusal to condemn air strikes against Iraq and instead call for an end to Iraqi threats against Kuwait.

Arab states demanded Iraq comply with all UN resolutions aimed at destroying its weapons of mass destruction and that it should formally recognise Kuwait before new plans were introduced to lift sanctions against Iraq.

The Arab League foreign ministers appeared to ignore Iraqi demands that the meeting be used solely to condemn last December's US and UK air strikes against Iraq and demand the immediate lifting of sanctions.

Mohammed Saeed al-Sahaf, Iraqi foreign minister, led the walk-out. A member of the Iraqi delegation later said: "The final resolution did not comply with any of the Iraqi demands." Iraq had objected to a line in the final statement which said Baghdad must stop "provocative actions" against its neighbours – by implication Kuwait.

Opening the meeting, Farouq al-Shara, Syrian foreign minister, strongly condemned last December's US and UK air strikes against Iraq, describing them as both illegal and ineffectual.

But Egypt and Saudi Arabia were determined to prevent Iraq dividing Arab opinion. All Arab states have criticised the air strikes but none have openly sided with President Saddam Hussein.

Separately, a US fighter aircraft yesterday attacked an Iraqi missile installation in the northern no-fly zone. The US Defence Department said the aircraft had been tracked by Iraqi radar.

Albright talks on rescheduling Russia's debt

By John Thornhill in Moscow

Madeleine Albright, US secretary of state, arrives in Moscow today to help patch strained relations with Russia and discuss a complete restructuring of the country's $150bn external debt.

US news agency reports suggested Washington was prepared to help Russia reschedule repayments on its foreign debts to ease the country's devastating financial crisis. US Treasury officials have already been sounding out how the market would react to a possible restructuring plan including Russia's post-1992 eurobonds.

According to this year's draft budget, the Russian government can only pay $9.5bn of the $17.5bn of external debt repayments which fall due this year. It is already running up hundreds of millions of dollars in arrears on Soviet-era debts owed to the Paris Club of sovereign creditors and the London Club of commercial creditors. But neither creditor group has yet declared a default, giving Russia some breathing space to agree a compromise.

Dominique Strauss-Kahn, the French finance minister, who held talks with Russian finance officials at the weekend, said any debt restructuring must take place within the context of an economic programme backed by the International Monetary Fund.

"It is simply essential for Russia to reach such an agreement, although it will require significant efforts from her side," he said. Failure to agree a new programme with the IMF could produce a very difficult situation and lead to Russia's "financial isolation".

An IMF mission is holding talks in Moscow with the Russian government but the two sides still appear to be far apart. The Russian government has said it is politically impossible to make any "cardinal changes" to this year's budget, which the IMF has branded as economically unrealistic.

Politicians from across the political spectrum in Moscow are now questioning whether Russia should take on any new loans from the IMF.

Grigory Yavlinsky, a liberal economist and leader of the Yabloko party, said Russia must solve its own economic problems, pointing out that any new loans from the IMF this year would only be used to pay back principal and interest payments to the fund.

Athens fails to halt school protests

By Kerin Hope in Athens

Greece's high school students have been mounting roadblocks during school hours to protest at modernisation of the state education system.

But in the evenings they put in long hours at *frontistiria* – private tutorial institutes – to improve their chances of winning a university place.

For two months students and teachers have protested against plans by Costas Simitis, the prime minister, to tighten educational standards by introducing more student tests and regular teacher assessments.

The action, supported by communist and conservative politicians, has underlined the depth of opposition to institutional reforms that the Socialist government has launched. Spending on state education – at just over $1,000 a year per student – is the lowest in the EU.

Thousands of students and teachers last week marched through central Athens in an attempt to press the government to modify the reforms. Several demonstrators were arrested.

Olme, the militant teachers' union, rejected an offer by Gerasimos Arsenis, the education minister, to discuss the proposals and called a series of 24-hour strikes.

Students say the changes would increase their workload without guaranteeing more places at universities. Teachers say the assessment procedures would undermine job security.

Students have welcomed the disruption of lessons at state schools. "The sit-in at my school is still going on, so I can get more work done for the *frontistirion* classes," said 17-year-old Thanassis Angelakis, who is preparing to sit university entrance exams this summer.

The poor quality of education at state schools has allowed the *frontistiria* to become a parallel education system, charging high fees to coach students for university entrance exams.

EU-US TRADE CONFLICT RUGGIERO TRIES TO BRING TWO SIDES TOGETHER IN ORDER TO AVERT $520M WASHINGTON SANCTIONS THREAT

Bananas dispute compromise sought

By Guy de Jonquières in London and Frances Williams in Geneva

Last-ditch efforts were under way last night to reach a compromise in the conflict between the US and the European Union over trade in bananas, and avert a threat by Washington to impose sanctions on $520m of European exports from February 1.

Negotiators for the two sides were meeting in Geneva with Renato Ruggiero, director-general of the World Trade Organisation, to discuss proposals he has made for preventing a trade war that could split the WTO's members and weaken its authority to enforce global rules.

However, Washington said shortly before the talks that it was "not at all optimistic" that Mr Ruggiero's peace initiative would succeed. "We are willing to talk, but we feel we have virtually exhausted all the options that would lead to a solution," a spokesman for the US trade representative said.

An official close to Sir Leon Brittan, EU trade commissioner, welcomed Mr Ruggiero's proposals and said they could offer the basis for a settlement. But the EU still wanted clarification of important details, to ensure that its interests were safeguarded.

The WTO risks being plunged into a divisive confrontation if no compromise is reached by late today, when the US plans to ask other members to approve its planned sanctions, on the grounds that the EU has not complied with a 1997 WTO ruling against its banana import regime.

The EU has modified the regime, which favours imports from former British and French colonies in Africa, the Caribbean and the Pacific. But Washington says the new arrangement still discriminates against US distributors of Latin American fruit.

The EU – backed by Japan, India, Korea, Indonesia and six central European states – says the US sanctions request is invalid, because there has been no WTO ruling against the modified EU regime.

Japan and several other countries are trying to defer consideration of the US request until a WTO panel has examined the new regime. But Washington says it is acting within its rights and cannot legally be denied authorisation for its planned sanctions.

Under Mr Ruggiero's proposals, the US would not impose sanctions before a recently-established WTO panel has reported on the new banana regime, while the EU would agree for the panel simultaneously to arbitrate on the scale of the planned US retaliatory measures.

Clinton China policy runs into trouble on Capitol Hill

Human rights and trade and investment issues are a problem. **Stephen Fidler** and **James Kynge** report

It has always been difficult for the Clinton administration to push on with its policy of constructive dialogue with China. In the last few months it has got even tougher. President Bill Clinton returned six months ago from a visit to Beijing having temporarily disarmed some of the policy's critics on Capitol Hill. Now, US officials admit, those critics are being handed new ammunition by Beijing.

With signs of labour unrest growing after an estimated 10m people were laid off last year, Beijing has imprisoned some prominent dissidents – a signal that it will not tolerate protest. It has also slowed a series of sensitive economic changes – including a sweeping reform of state-owned enterprises – proposed early last year by Zhu Rongji, the Chinese prime minister, who is due in Washington this spring for an official visit.

US officials believe these developments are the result of social and economic tensions within China as a result of the Asian financial crisis. That crisis "has had a bigger impact on China than the Chinese leadership and outside observers, including us, judged in the first half of last year," said a senior administration official.

China had maintained a positive growth rate. But the crisis had triggered "a slew of major problems that have made the leadership focus much more heavily on stability and draw back from ambitious [economic] reform," he said.

One result has been that American companies are facing growing difficulties. Pharmaceutical companies have had a price ceiling imposed on the medicines they sell; shipping lines have had to apply for Chinese approval for freight rates; telecoms equipment manufacturers have had to contend with a "buy local" order that may benefit domestic competitors; and some foreign investors are reporting that their export quotas have been transferred to Chinese competitors.

Chinese officials say that the pain being sustained by China's loss-making state-run industries as the economy slows is such that the government feels restrained in offering market access concessions to foreigners.

But it has drawn stern criticism from US government officials and business groups. "The American business community has been the strongest supporter [of engagement with China] and that's being frozen a bit now," said the US official.

A breakthrough in China's 12-year negotiations to join the World Trade Organisation looks further away than ever, some US officials say, leaving the widening US trade deficit with China, put at about $60bn last year, as another topic of potential political controversy.

Relations have also cooled over Taiwan, which China considers a renegade province. A US weapons sales agreement with Taipei has irritated China, but the possibility that Taiwan may be included in a US-Japan theatre missile defence shield has generated much more concern in Beijing.

However, US officials argue that China is too important to isolate and say there remain converging strategic and policy interests anchoring the relationship. Among these is North Korea, which the US believes may be stepping up its efforts to develop nuclear weapons.

"There is only one country with any influence at all on North Korean behaviour. It's China," says a senior State Department official.

The US believes Chinese intervention was helpful in 1994 in bringing North Korea to talks, and hopes it can bring some influence to bear again on Pyongyang. But a Chinese official said Beijing had little influence there on a strategically crucial issue such as nuclear weapons. "The North Koreans criticise us in their newspapers as revisionary. They don't take much notice of what we say," said the official.

The US also believes dialogue with China has been productive in its non-proliferation efforts. The US has concerns over Chinese sales of components that could be used in chemical weapons and missile programmes. But Washington believes, for example, China has kept promises to stop supplying Pakistan's nuclear programme, has kept a confidential pledge made in 1997 not to help Iran's nuclear programme, and another not to supply anti-ship cruise missiles to Iran.

But if these are gains, there is another development that may make it harder still to make the case for engagement – a report from a select committee of Congress, chaired by Congressman Christopher Cox, a Republican from California, about transfers of militarily useful technology to China.

That bipartisan report concludes that US national security has been damaged by transfers of militarily sensitive technology to China over more than a decade. It remains secret though large parts of it will be released to the public.

The administration plays down the impact it will have. "Have the Chinese been using means licit and illicit over the last 25 years to enhance their military capability? Yes, but already we know that," said a senior official. "This is neither surprising nor shocking." On the other hand, some on Capitol Hill argue the report will raise serious questions about the administration's policy toward China.

But whatever the reaction to the Cox report, there are enough other difficulties to make Mr Zhu's expected visit to Washington this spring a tricky one.

Chinese-made fighters have test flights

China has successfully test-flown the first two Russian Sukhoi Su-27 fighter jets to be assembled locally, in an important breakthrough for the domestic defence industry, **writes James Kynge from Beijing.** The Chinese-made Su-27, called the F-11, was assembled at the Shenyang aircraft factory in the north eastern province of Liaoning, Chinese military officials said.

Production of advanced Russian-model fighters by China has been of concern to Nato member countries because it strengthens China's technological capability in areas where it has been weak.

One technology being transferred under the Su-27 deal is the upgraded Zhuk-27 radar system, which can support active radar guided missiles and air-to-surface missiles. Chinese radar systems have in the past lagged far behind their Russian counterparts, military experts said.

Home owners in the booming Chinese city of Guangzhou protesting yesterday against rising management fees. More than 1,000 gathered to demonstrate against what they called 'corrupt and unreasonable' management of their Riverside Garden homes. China has encouraged home ownership in spite of inadequate legislation to protect home owners' rights Reuters

AID FOR REFORM EFFORT TO END POLITICAL AND ECONOMIC ISOLATION

UN and World Bank plan Burma initiative

By Ted Bardacke in Bangkok

The World Bank and the United Nations are planning a renewed effort to break the political and economic isolation of Burma. A joint delegation is expected to visit the country in March for talks with leaders of the military junta and Aung San Suu Kyi, the opposition leader.

The UN-World Bank mission will be an overt attempt to link resumption of international aid to political and economic reform, on the understanding that the Bank's controlling shareholders will not authorise significant assistance for Burma without a break in the political stalemate which has plagued the country for nearly a decade.

The country's international reserves have fallen below $100m and new foreign investment has almost stopped. As a result, an informal grouping of concerned western and Asian countries recently has been trying to formulate a strategy that would use an explicit promise of renewed assistance as an incentive to pursue political reform.

Last year a UN mission led by Alvaro de Soto, UN assistant secretary-general, began sounding out both the opposition and the military junta on the idea. No specific sums of aid were mentioned, although on a per capita basis, compared with other less developed countries, Burma could expect at least $1bn, diplomats said.

Mr de Soto will again lead the March mission, together with Bradley Babson, a former World Bank representative to Vietnam who now helps co-ordinate the Bank's relations with "problem" countries such as Burma and North Korea. A separate annual assessment mission from the International Monetary Fund is also expected to visit around the same time.

The Bank would study the country's economic and social needs and try to educate the isolated regime as well as the opposition about how its assistance programmes work and what kind of conditions would be attached to that aid, said Jean Michel Severino, World Bank vice-president for East Asia and the Pacific.

Good governance was "certainly a major condition", Mr Severino said.

But yesterday the country's official news agency said the government had arrested 11 members of the opposition National League for Democracy for allegedly inciting riots in November and December.

Spokesmen for the junta have said only they would be happy to receive "unconditional" aid. Ms Suu Kyi has also been cautious about the proposal, fearing that aid would be misused and not lead to substantive political change.

Write-offs fail to reduce Japan's bad bank loans

By Gillian Tett in Tokyo

Japan's Financial Supervisory Agency (FSA), the banking watchdog, has admitted that the bad loan total held by domestic banks had barely changed in the first half of the 1998 fiscal year – even though the banks had made large write-offs.

The data, released late last week, suggest that the banks may still be discovering new bad loans as the economy worsens and more companies become insolvent.

However, the government insisted it would force banks to write off most of their bad loans before the end of spring. In particular, the FSA is planning to inject up to Y25,000bn ($220bn) into the banks' capital bases before the end of March to implement these write-offs.

Eisuke Sakakibara, vice-minister of finance for international affairs, said: "Japanese bank restructuring will proceed very aggressively in the months to come."

In one sign of this restructuring, Sanwa, one of the largest banks, said it would forgive Y59.73bn worth of loans to Shokusan Jutaku Sogo, a homes builder. Other banks are expected to make similar moves in the coming weeks.

Measured overall, the FSA said, Japan's largest 17 independent banks held Y39,720bn worth of so-called "category two" potentially problematic loans at the end of September. Category two loans are those which have not been restructured yet, but are extended to borrowers that may face financial problems.

This tally was little changed from the Y40,200bn total six months earlier. The banks also held Y3,800bn worth of so-called "category three" loans, or restructured loans, and Y125bn of "category four" loans to borrowers that were already defunct. In March these figures were Y4,410bn and Y77bn respectively.

Government officials argue this new tally showed Japanese banks were becoming more transparent. The classification of loans into four categories is based on a new system of "self assessment" which was only introduced last spring, and is considered more comprehensive than earlier systems.

Chinese soccer club seeks a buyer

By James Kynge in Beijing

European soccer clubs have in recent years acquired a handful of Chinese players. Now they have the chance to buy a fully fledged first division club. The Liaoning Football Club, a loss-making outfit from the frigid north-east of the country, is offering itself for sale to any European counterpart with a little spare cash and some imagination.

"We would prefer an English club, perhaps those which are listed on the stock market," says Wang Shiyu, president of China M and A management, the company handling Liaoning FC's offer. "Manchester United has a very big following in China, and so do other clubs in Europe."

Football is a passion for hundreds of millions of Chinese. Throughout the World Cup last year, it was common for enthusiasts to stay up nearly until dawn to watch big games.

English league games are regularly televised on Chinese television and even the gossip is popular; it seems that most football fans in Beijing know that David Beckham's girlfriend is a member of the rock group, Spice Girls, who are known as the Hot Little Sisters in Chinese.

But in spite of its popularity, it has not been easy for most Chinese clubs to make money. The state-run television stations do not pay for the right to televise a game, although there is talk that this could soon change.

The merchandising of club strips, scarfs, caps, and other clothing – a big money spinner in Europe – has yet to take off in China and the crowd attendance revenues are not spectacular because ticket prices are low.

A controlling 51 per cent stake in the Liaoning club is up for sale. Offers are invited, but Mr Wang thinks that around RMB30m ($3.6m) – the estimated value of the club's registered capital – might be a fair price.

Airline tie-ups show their staying power

By Michael Skapinker, Aerospace Correspondent

The chances of airline alliances surviving have almost doubled over the past three years, according to a new study by the Boston Consulting Group.

The study showed that 68 per cent of airline alliances in place in 1995 were still in existence. This compares with only 38 per cent which survived from 1992 to 1995.

Airlines worldwide have scrambled to conclude alliances over the past few years, forming about 500 partnerships. The industry is now dominated by four large alliance groupings, which sell seats on each other's flights, pool frequent flyer programmes or buy services jointly.

John Lindquist, BCG senior vice-president, said airlines had improved the management of the partnerships and had a better idea of who their long-term allies should be. "We're getting towards the endgame and people are figuring out how to make these alliances work," he said.

The airlines have used the alliances to offer services to destinations they do not serve. Instead of flying to a city themselves, they sell seats on an alliance partner's flight.

The largest airline grouping is Star Alliance, which is headed by Lufthansa of Germany and United Airlines of the US. Star also includes Scandinavian Airlines System, Air Canada, Varig of Brazil and Thai Airlines. All Nippon Airways, Air New Zealand, Ansett of Australia and possibly Singapore Airlines are also expected to join.

The second large alliance, Oneworld, is expected to announce details of its operations today. Headed by British Airways and American Airlines, it also includes Cathay Pacific, Canadian Airlines, Qantas of Australia and Finnair. Iberia of Spain and Japan Airlines are also expected to join.

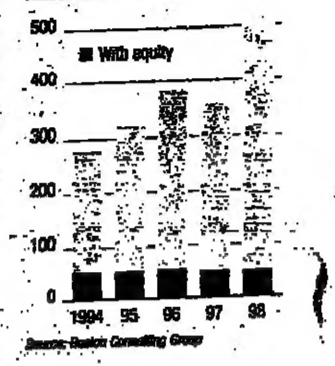
KLM of the Netherlands, Northwest and Continental Airlines of the US and Alitalia are also forming an international grouping expected to be called Wings. The fourth alliance groups Delta Air Lines of the US, Swissair, Austrian Airlines and Sabena of Belgium. There are also hundreds of other alliances with regional and domestic carriers.

Mr Lindquist said the proportion of alliance partners taking equity stakes in one another had fallen over the past three years. Only one in six airline partnerships now involved equity stakes, compared with a quarter three years ago. The alliances with the best chance of survival were those which were most closely integrated, with combined salesforces and joint purchasing of maintenance and other services.

Meanwhile, Frederick Reid, chief marketing officer of Delta, conceded his airline's alliance had fallen behind the other three groupings in finding partners. However, he said Delta had links with China Southern and Korean Airlines. Delta's partnership with Air France, which also has links with Continental, will be extended in April.

Equity alliance growth is flat

Number of airline alliances



Source: Boston Consulting Group

US group faces attack on India 'rights abuse'

By Peter Montagnon, Asia Editor, in London

A new controversy has surfaced around India's flagship Dabhol power project after its US promoter, Enron Corporation of Houston, was accused of complicity in human rights abuses in the west Indian state of Maharashtra, where the plant is being built.

In a 165-page report, Human Rights Watch accused the company of conniving with the police in the systematic suppression of local opposition to the plant through the use of excessive force, harassment, intimidation and arbitrary detention of protesters.

The report also alleged that the US Exim Bank failed to conduct a proper review of human rights implications when it agreed funding for the project's first phase, with the active support of Frank Wisner, then US ambassador to India who is now an Enron director.

Its allegations are by no means as serious as those levelled by human rights groups against Unocal, which has rejected charges that it has benefited from the use of forced labour in Burma. They also come when the focus of Indian environmental protest has switched to the construction of a port at Vadhavan, north of Bombay.

But the claims are likely to prove sensitive for Enron after two of its competitors – Shell and British Petroleum – felt obliged to formulate explicit human rights policies in response to criticism of their operations in Nigeria and Colombia respectively.

Dabhol Power Corporation, Enron's Indian subsidiary, had direct involvement in suppressing dissent from local villagers over matters such as land acquisition, water supplies and other environmental degradation, Human Rights Watch said.

The company paid the police that committed the human rights violations, provided material support to the security forces and failed to act on "credible" allegations that its own contractors were engaged in criminal activity, Human Rights Watch added.

In Houston, Enron moved swiftly to deny the charges. "The Dabhol Power Corporation does not tolerate human rights abuses by its employees or contractors," it said. "This report is out of context at best and dredges up allegations that have been put to rest over the past four years."

Enron said it had financed education, health and environmental projects around the plant site and had employed an average of 5,000 workers, of whom around 45 per cent were local, during the first phase of construction.

Judge brings Salinas saga to climax

By Henry Tricks in Mexico City

When a Mexican federal judge sentenced the brother of a former president to 50 years for plotting the 1994 assassination of a ruling party official, it was the latest – but possibly not the last – chapter in the country's highest profile murder mystery.

The conviction last week of Raúl Salinas, the brother of former President Carlos Salinas, challenged a deep-rooted perception that those with immense power and wealth, such as the Salinas clan, were above the law.

But from the start the case was contaminated by politics because of the long-running feud between President Ernesto Zedillo and his predecessor, Mr Salinas, living in Dublin in self-imposed exile since Raúl's arrest.

Farcical bungling by prosectors – who used a witch, a *jealous lover*, a stolen corpse and a vanished co-conspirator in the suspect cast of characters underpinning their case – led Mexicans to doubt there would ever be a conviction.

When Judge Ricardo Ojeda Bohórquez issued his verdict, Mexicans were overwhelmingly impressed, according to newspaper polls. But legal and political experts challenged aspects of his decision, and said the Salinas family, who filed an instant appeal, might manage to overturn it.

"The judge's decision was based on very circumstantial evidence which opens up a Pandora's box for the courts now. The guy has been condemned in the public court and now in a court of law, but everyone doubts the cleanness of it all," said Luis Rubio of CIDAC, a Mexico City research institute. In a paid advertisement in Mexican newspapers, Judge Ojeda said there was no direct proof of Raúl's culpability but that the circumstantial evidence wove a web of proof.

This included telephone calls from co-conspirators to Raúl's house the day after José Francisco Ruiz Massieu, deputy leader of the ruling Institutional Revolutionary party (PRI), was gunned down on September 28, 1994, and a statement by one of the convicted plotters, Fernando Rodríguez González, that Raúl was the "intellectual author" of the crime.

Legal experts, however, said Mr Rodríguez González's testimony was undermined by the existence of government records showing prosecutors made a $500,000 payment to his daughter. Other charges against Raúl such as money laundering have floundered since his 1995 arrest, though last year the Swiss seized $114m he held in frozen bank accounts, saying they were the proceeds of drug dealing.

Raúl Salinas: no direct proof of culpability, says judge

Call to slow up Ulster prisoner releases

By Andrew Parker, Political Correspondent

The UK government yesterday came under pressure from within its own ranks for a slowdown in the release of paramilitary prisoners under the Northern Ireland peace accord.

In the first public indication of Labour disquiet with the releases, Frank Field, a former minister, said he wanted the programme scaled back until "punishment beatings" in Northern Ireland were curtailed.

The opposition Conservative party also repeated its long-standing demand for a suspension of releases while the beatings by republican paramilitaries and their "loyalist" rivals continued.

Tony Blair, the UK prime minister, has so far been able to maintain the former Conservative administration's bipartisan approach to the peace process.

However, Mr Field said: "It's important that the punishment beatings are pushed up the political agenda. The only way to do that is to begin to talk about, and then slow down, the prisoner release scheme. That is the only language they understand unfortunately."

Mr Field will sign a House of Commons early motion to be tabled by Harry Barnes, another Labour MP, which says: "The paramilitary prisoner release programme should be slowed up as a political sanction against a cynically and centrally organised regime of increasingly brutal beatings, shootings, murder, exiling and intimidation." He added that, if necessary, the releases should be halted.

A Blair aide said the releases were part of the April 1998 peace agreement. He added that the 400 paramilitaries who benefited from accelerated remission were released on licence and could be rearrested.

Meanwhile, David Trimble, first minister in the Northern Ireland administration, said the peace process might have to be "parked" if the Irish Republican Army did not start to hand over weapons.

The British and Irish governments hope to be able to transfer responsibilities to the new administration on March 10.

But Mr Trimble, Ulster Unionist party leader, said he intended "making whatever progress can be made, and if it is necessary to park the process for a while so as to tackle the obstacles created by the paramilitaries, well and good".

"We are pretty well on target and will be on target to have done everything we can do by some point in March, and we will all be sitting there in a context in which paramilitaries have failed to begin [decommissioning]," he said on BBC Radio in Northern Ireland.

"The paramilitaries have to clean up their act and deliver the real peace and the evidence of it.

"People need to realise that I can only carry things so far myself. People should not expect that either myself or Seamus Mallon [deputy first minister] are miracle workers. It's time for people to deliver."

Review of bank competition set for launch

By George Graham, Banking Editor

The government will today launch a review of the UK banking industry aimed at identifying any changes that could improve innovation or competition.

The review, headed by Don Cruickshank, former telecommunications regulator and now director of Action 2000, the state-backed programme to overcome the millennium bomb, has widened its original remit, which was to examine small business finance.

Although investment banking is explicitly excluded, the availability of equity funding for small and start-up businesses is expected to be a key area.

Mr Cruickshank is also expected to target market segments such as credit cards and deposit accounts. The established UK banks are reasonably sure they will be able to demonstrate that competition exists in these areas, where new entrants such as the specialist US card-issuing banks and new banks established by supermarkets and life assurers have captured a substantial share of the UK market.

Mr Cruickshank will today outline the areas he intends to target and the studies he will commission.

With the economy slowing, there have been fears of a reprise of the early 1990s recession, when banks were widely blamed for putting small companies out of business by calling in loans. An exact repeat appears unlikely. Banks say they have made great efforts to improve relations with small businesses, most companies are showing much greater caution in borrowing than they did at the start of the decade and interest rates are much less punishing.

● Coutts, the upmarket private bank owned by National Westminster, is to break with its traditional image of quill pens and frock-coated attendants by embarking on electronic banking.

The bank, with branches at Eton and Harrow, the top fee-paying schools, and a reputation for catering to the landed gentry, is keen to show it is not stuck in the past by adding internet banking and 24-hour telephone banking.

Glyn Jones, chief executive, said: "We don't want to be characterised by a 19th century view of Coutts as a frock-coated, traditionalist bank."

INNOVATION ANGLO-AMERICAN BIAS APPARENT IN SURVEY OF EXECUTIVES

Four UK companies make 'top 10'

By Kevin Brown, Industry Editor

Britain's top business people think Glaxo Wellcome, the pharmaceuticals company, and three other UK companies are among the world's 10 most innovative international businesses, according to a survey by MORI, the opinion polling and research organisation.

Even more surprisingly, all but two of the 20 most innovative companies listed are either British or American. The two exceptions – BMW of Germany and ABB, the Swiss/Swedish conglomerate – both have substantial UK operations.

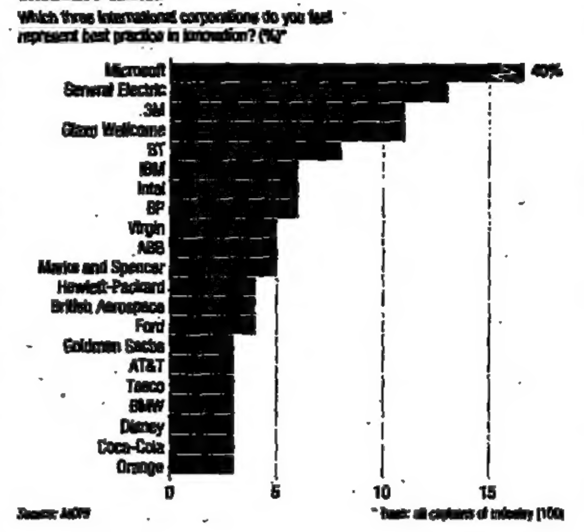
Unpublished results from a survey by MORI for 3M UK, the British arm of the US conglomerate, show that Microsoft, the big US software company, was identified with best practice in innovation by 40 per cent of business leaders.

This was three times the score achieved by second-placed General Electric, the US conglomerate. However, Glaxo Wellcome tied with 3M UK for third place, followed by British Telecommunications. British Petroleum and Richard Branson's Virgin group also made the top 10.

Marks and Spencer, the retail train, appears at number 11, despite trading difficulties. British Aerospace, the defence group, Tesco, the supermarket chain, and Orange, the mobile telephone operator, also made the top 20.

Executive choice

Which three international corporations do you feel represent best practice in innovation? (%)*



Source: MORI

* Base: all captains of industry (149)

The weight of support for Glaxo Wellcome reflects the top executives' choice – reported by the Financial Times in December – of Sir Richard Sykes, the group's chairman, as Britain's "most impressive industrialist".

However, the virtual absence of companies from outside the Anglo-American business world also suggests UK business leaders have either a low opinion or poor knowledge of the innovative qualities of companies in the rest of the world.

The MORI survey does not explain the reasoning behind the choices made by the 149 chairmen and other top executives surveyed, who were asked to nominate the three most innovative international companies.

Norman Price, an adviser to the Department of Trade and Industry's innovation unit, welcomed the recognition of the importance of innovation, but said he would have expected to see more European and Asian businesses listed.

The executives surveyed identified four key issues behind success in innovation: these were divided roughly equally between competition, customer requirements, employee development and the culture of the organisation.

Research and development, new technologies and investment all scored badly as drivers of innovation, and only one in 10 top executives said lack of investment was a major inhibitor of innovation.

These results may worry ministers as they suggest a patchy impact by DTI efforts to persuade companies to increase capital investment and R&D spending.

John Howells, technical director of 3M UK, said the survey "should set alarm bells ringing. It comes at a time when evidence suggests UK companies are spending less on research and development, as a proportion of sales, than many of their international competitors.

"Innovative thinking requires sustained investment, often over many years, if a company is to gain commercial benefit. Our business leaders need to recognise this, because if they don't, their future competitiveness may be threatened."

MORI's survey was conducted mainly among chairmen, managing directors and finance directors of companies from the top 500 by turnover, and the largest 100 financial organisations by capital employed.

NEWS DIGEST

CANTRADE

Currency dealer loses appeal against jail term

A currency dealer jailed for 4½ years for his leading role in "the Cantrade affair" has lost his appeal against conviction.

The Channel Islands Court of Appeal ruled that Robert Young, sentenced for making misleading, false or deceptive statements to investors, had not suffered from a miscarriage of justice or been incorrectly sentenced.

Mr Young was sentenced last May together with UBS subsidiary Cantrade Private Bank Switzerland, which was fined £3m ($5m), and Alfred Williams, a former Touche Ross partner, who received an 18-month prison sentence.

Andrew Begg, an advocate for Mr Young, claimed substantial pre-trial publicity had been prejudicial to his client, and that Sir Godfray Le Quesne, who had presided over the 22-day trial, had misdirected the other judges. These and other grounds for appeal were all dismissed.

The Channel Islands, between England and France, have their own legislature. **Philip Jeune, Jersey**

INTERNET

BBC wins online ratings war

The BBC is winning the online ratings war with a share of the UK internet audience second only to Yahoo!, the US online directory service, a report to be published today will say. The BBC's top-three slot comes as good news to the publicly funded broadcaster after dismal viewing figures showed BBC1 now commands less than 30 per cent of the television audience.

Neil Bradford, a director of Fletcher Research, which produced the study, said the BBC was doing "terrifically well" as a late entrant to the multimedia market.

The BBC spent £19m ($31.3m) in 1997 upgrading BBC Online after news and sport sites from rivals, including satellite broadcaster BSkyB, proved their ability to attract online users.

The top 10 sites by audience reach are dominated by UK operations of US search engines, including Yahoo!, Lycos, Excite UK, half-owned by British Telecommunications, AltaVista and Infoseek. UK Plus, owned by the Daily Mail group and linked with Infoseek, came eighth, behind Microsoft Network's UK site. **James Mackintosh**

GENERAL ELECTION

Labour MP faces fraud trial

Mohammed Sarwar, a Labour MP in a Glasgow constituency, goes on trial in Edinburgh, Scotland, today charged with electoral fraud and attempting to pervert the course of justice.

Mr Sarwar, who became an MP at the 1997 general election, is accused of fraudulently inducing the Glasgow electoral registration officer to add the names and false qualifying addresses of four people to the electoral register, in contravention of the Representation of the People Act 1983.

He also faces two charges of attempting to pervert the course of justice.

His co-accused, Mumtaz Hussain, a Glasgow businessman, is accused along with Mr Sarwar of attempting to pervert the course of justice. **James Buxton**

INSIDE TRACK

ROBERT AYLING BRITISH AIRWAYS CHIEF EXECUTIVE

Flying through the flak

BA's shares have been in a tailspin and the critics have had a field day but, notes **Michael Skapinker**, the airline chief carries on undeterred

Your *share price* has halved, your best customers are drifting away and much of the business press is baying for your blood. How do you respond?

If you are Robert Ayling, chief executive of British Airways, the answer is: with meticulous care. Placed *carefully* on the table in front of him at the airline's Berkeley Square headquarters, is a set of *papers headed*: "Draft notes for FT interview". Key points are highlighted in yellow marker pen.

Not that Mr Ayling needs help from his notes. He has been brief*ing the City of London* all week and he knows the script. It is a relaxed performance. There are *few signs of the irritation he* sometimes shows with those who fail to get his point.

But then this is a chief executive who has felt the fire of public and employee disapproval many times since taking the top BA job in 1996. He narrowly averted a pilots' strike in his first year. His second year was marred by a hugely expensive three-day stoppage by cabin crew. Criticism over his decision to replace the Union Jack on BA's tailfins with ethnic designs from around the world has rumbled on for months.

Mr Ayling's message, hammered home to the City last week, is that the fall in BA's first and business class passengers – down 3.6 per cent last month – is not his or the airline's fault. This is a cyclical business, with good times and bad. These are bad times.

The initial results of this publicity drive were unimpressive. BA's shares closed on Friday at 344½p, compared with a 12-month high of 721p.

But the second part of Mr Ayling's message to investors and employees is that they need to look beyond the short-term. The *downturn came earlier than* expected, but Mr Ayling had prepared the company for it. At the *end of 1996, when business was* still thriving, he announced a £1bn cost-cutting programme. He has already achieved savings of £600m.

He is creating a new BA, he says, with lower costs and with an aircraft fleet tailored to the size of the profitable end of the market. By 2002, nearly half BA's long-haul fleet will consist of Boeing 777s, which are smaller than the 747s it has traditionally flown. The Boeing 777s will have less space in the economy section than the 747s.

BA will pursue the higher end of the market. It is interested in passengers who are prepared to *pay good money. Cut-price customers* can go elsewhere. Mr Ayling says BA can no longer afford to offer fares which do not even cover the cost of operating the aircraft.

But why has BA been losing the business class passengers it wants to attract? Because, Mr Ayling says, there are too many aircraft flying across the North Atlantic, driving down fares. "It's a very tough market indeed at the moment."

As Asia's financial crisis deepened and business in the region melted away, airlines began moving their aircraft to London.

'BA can no longer afford to offer fares which do not cover the cost of operating the aircraft'

Japan and Singapore Airlines, American and United have all increased aircraft capacity out of London. Mr Ayling accepts some of the blame. BA has reduced the number of seats on its Asian flights by 5 per cent over the past year, and increased North Atlantic capacity by 16 per cent.

The result is that some airlines *are selling seats at silly prices.* Premium class passengers who might have flown with BA have gone to competitors prepared to charge less. Last week, Mr Ayling says, a large company came to discuss a deal with BA. It said it would tell its staff to fly with the airline, but only if BA agreed to cut its fares by 62 per cent. BA said it could offer a 42 per cent discount. The potential client went to one of BA's competitors instead.

Mr Ayling denies that BA is losing significant market share. But he says he would prefer to lose market share than do business on the terms demanded by the unnamed corporate client. Anyone can fill an aircraft if they are prepared to slash fares, he says.

"We could not only maintain market share, we could increase it if we wanted to, very easily. It all depends on the price you're prepared to accept. We are seeing airlines accepting prices that can't, in the long run, pay for the cost of investment in the business," he says. "My sales organisation is going to try to maintain a rational pricing regime." BA's seat capacity will expand by less than 2 per cent his year.

But is the only reason BA is losing customers that it refuses to slash fares to uneconomic levels? Isn't BA's service to blame? "We consistently win awards for our business class products. We consistently earn a premium in the market place because of the *strength of our service, because* of our reputation for safety and the high standards of our operation. We consistently record better punctuality than our competitors."

I tell Mr Ayling about a colleague who complained about BA's business class service and received a reply 11 months later. When he telephoned the customer service department, he was told it was taking at least a month to reply to letters because there were so many complaints, and too few people to deal with them.

"Every airline can improve its handling of complaints," Mr Ayl*ing says. "Did he write to me?"* Customers who write to him receive a telephone call from one *of his staff the next* day.

But didn't he think his staff had been miserable and demoral*ised since the 1997 strike?* "No I don't. I spend a lot of my time talking to people in the company. I was talking to some of them yesterday. *I* know the difference between what it was like during the strike and what it's like now. Since the cabin crew strike, there's been a complete change."

Last week, BA and the pilots' union announced an agreement under which flight crew will *spend more time in the air. Chris* Darke, general secretary of the British Airline Pilots' Associa*tion, called the deal "a significant* milestone" in relations with BA.

Mr Ayling says: "Talk to any *airline management. One of the* rawest areas is relationships between the company and the pilots. If they could swap the relationship we have with our pilots with the relationship they have ... Well, it wouldn't be possible. In the case of the American carriers, they've had years of *strife. We've seen the same in the* case of the French airlines."

What of BA's new livery? Does *he regret having made a change* which has apparently angered so many customers? "No, I don't. I *think* we have produced a design that will be seen to be mould-breaking, it will be seen to be innovative, it will be seen to be a market-leader. It's already seen by the majority of our customers *to be all those things*."

And the repeated reports, firmly denied by Lord Marshall, *BA's chairman*, that Mr Ayling is about to be sacked? "I don't read them." Come off it. "I don't." But his staff must brief him on them. Don't the articles hurt? "Would I prefer it if people didn't write these things? Of course I would. Is it my job to worry about them? No, it's my job to run BA. It's a fact of life, particularly in Britain, that people in a public position are criticised. If you can't accept criticism, you shouldn't do the job."

Essential Guide to Bob Ayling

Abrupt enrolment at the University of Life: born 52 years ago into a prosperous London shopkeeping family, Mr Ayling's world changed suddenly when his father's business failed. Ayling *père* told 15-year-old Bob *he could no longer afford* the fees for his public school, King's College, Wimbledon. Mr Ayling's *father presented him with a stark* choice: move to the local comprehensive school or go to *work. He chose work, as a* solicitors' clerk.

The perpetual lawyer: by the *age of 24, Mr Ayling was a* partner in a City law firm. Three years later he decided to become a civil servant, joining the Department of Trade. But he has never lost his lawyerly precision or his dogged insistence that those who deal with him get their facts right.

Taking flight: as a senior civil servant, Mr Ayling became involved in preparing British *Airways for privatisation.* He caught the eye of the airline's management, who recruited him *as legal director in 1985. After* several senior BA jobs, he succeeded Lord Marshall as *chief executive in 1996.*

A political animal: an admirer of the Thatcher revolution, Mr Ayling, like many high-flying executives, transferred his allegiance to Tony Blair's New Labour. His personal contacts with the government are strong. He shared a 50th birthday party with *home* secretary Jack Straw and turned down an approach from Mr Blair to head his policy *unit. Mr Ayling has firmly denied* frequent rumours that he is to leave BA for a senior ministerial *role. He has served Downing* Street well by chairing the New Millennium Experience Company, *which is building the Greenwich* dome.

LUCY KELLAWAY

Good old human touch

Going back to basics is always best. But managers need these basics wrapped up in fancy terms before they can deal with them

Welcome to *the human moment*. This is a brand new concept developed in an eight-page article in the latest issue of the Harvard Business Review. According to the distinguished journal, *the human moment* is a vital management tool. Any company that fails to recognise its importance may be putting at risk the health not only of its people but that of the whole organisation.

You may be wondering: what exactly *is* this human moment? And if it is that important, why haven't we *heard of it before? It turns* out we already know it well – but not by that name. It is what *you and I call talking* to someone face to face.

The author of the article, Harvard psychiatrist Edward M. Hallowell, prefers to put it differently. The human moment, he says, is "an authentic psychological encounter that can happen only when two people share the same physical space".

There are, he says, two elements to this. The first is that you need to be in the same place as someone; the second is that you need to be attending to them. *He tells* us how this takes energy; it seems you cannot have a *human moment when* you are writing a memo at the same time, or playing patience on your PC.

This is all very valuable – that is if you happen to be a hermit who has never met anyone before. (Although now I come to think of it, there are some people – my husband for one – who see nothing wrong in holding a conversation while simultaneously reading a newspaper *and* watching the football on the telly. But maybe he is better left out of this particular discussion.)

Anyway, the point of the article is that this *human moment* is rapidly disappearing from our working lives thanks to e-mail, telephones, etc. As a result we are turning into psychiatric cases and suffering from something called toxic worry.

If the HBR is right in thinking that managers really need to be reminded of the necessity of seeing people occasionally, things have got a lot worse than I thought. Of course e-mail has replaced some face-to-face meetings, and so much the better. Lots of things are made easier by e-mail. But equally many are not – anything with any emotional charge is better done in person.

You might think our need *to see and talk to the people* with whom we work was so basic that you do not need to be a *top Harvard* psychiatrist to work it out.

But maybe this is just another reminder of the peculiar world in which modern managers exist. They spend so much time dealing with enterprise resource planning systems or whatever the latest fad happens to be that they forget the basics. And the best way of getting back to these basics is to give them a fancy name like *human moments* and make them into state-of-the-art management practice.

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Who is the world's best management guru? Sensible people will tell you it is Peter Drucker, who has been at it longest and is still the most perceptive. Sincere, alternative types might prefer Charles Handy; those who like style over substance might choose Tom Peters.

But it is hard to imagine anyone in their right mind going for ex-industrialist and ex-TV personality Sir John Harvey-Jones as the best management guru in the world.

Yet he has been picked by UK management consultants canvassed recently by another consultancy, called Druid.

So far, so bad, and it does *not get any better.* When asked which was the most revolutionary decade for *business this century, the* consultants said the present one.

But who is to say the 1990s is the most revolutionary decade? What about the 1920s and the 1950s? Business went through some pretty big changes during those times. And how would you measure it anyway? The only thing one can say for certain is that the 1990s have been by far the most revolutionary (i.e. best) decade for the consulting *trade.*

The only sign of wisdom from the survey is that two-thirds of the consultants say the general quality of management consultancies in the UK is not up to scratch. On second thoughts, this may not be so heartening after all – in any potentially dodgy, unregulated profession the surest way to prove your own worth is always to rubbish the competition.

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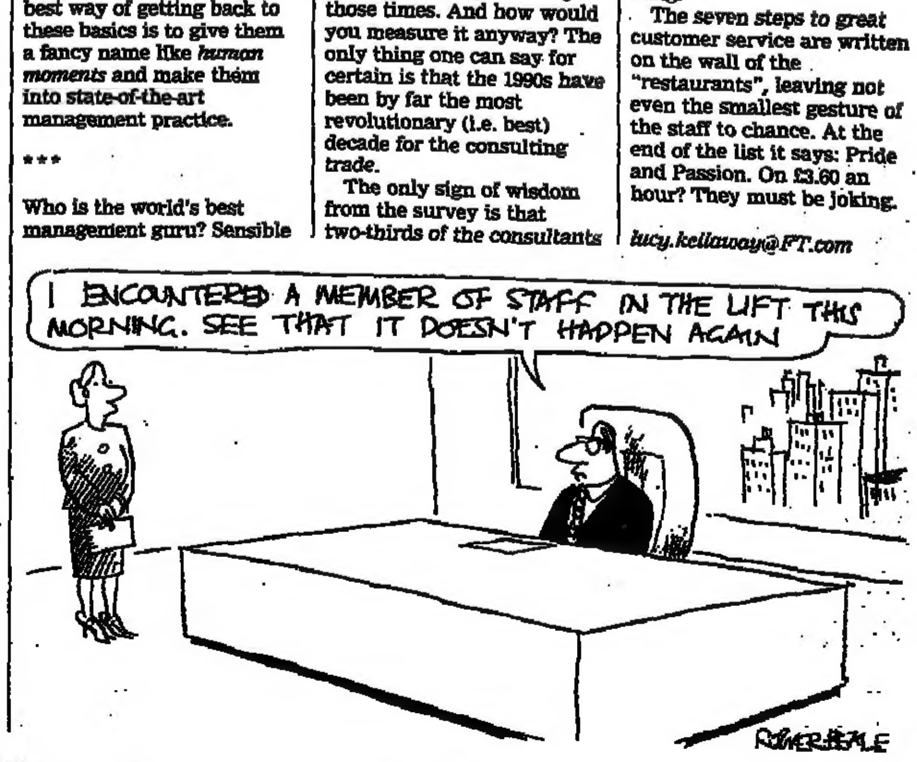
My discussion of the passion fashion last week seems to have struck a chord. I have been e-mailed a crop of passion horror stories – employees being asked point-blank by current or prospective bosses whether they consider themselves to be "passionate" about their work. They have to lie, or *risk* losing the job.

One big multinational has introduced the Passionate *Power Meeting*, a 20-minute session in which everyone is meant "to passionately focus *on outcomes*" – whatever that means.

But the most heart-sinking *example of compulsory* passion comes from Burger King.

The *seven steps to great* customer service are written on the wall of the "restaurants", leaving not even the smallest gesture of the staff to chance. At the end of the list it says: Pride and Passion. On £3.60 an hour? They must be joking.

lucy.kellaway@FT.com



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INSIDE TRACK

man touch

ENVIRONMENT GREEN INVESTMENT

Ecological wake-up call for fund managers

A fresh generation of analysts is divided about whether such investments are a blessing or a curse, says **Vanessa Houlder**

Should fund managers go green? The idea that investors should play a role in sustainable development is argued with increasing urgency within bodies such as the UK government, the EU and the United Nations.

The issue is also promoted by pressure groups, such as Friends of the Earth. That organisation is gathering information for a campaign next year against fund managers with particularly poor environmental records.

Underpinning these arguments is the view that the financial markets have a potentially crucial influence on company strategy. And the long-term nature of most investors' interests means they have a natural interest in ensuring that companies invest sustainably.

But most fund managers dismiss environmental concerns as trivial or misguided. As one analyst put it: "Any attempt to link up financial decisions with morals or emotional decisions does not work."

For campaigners, this argument misses the point. Investors' self-interest should encourage them to consider environmental issues. Admittedly, many overtly environmental companies, such as "green" retailers or waste disposal managers, have performed badly during the last decade. But mainstream companies with good environmental records have tended to perform well.

Studies, mostly from the US, have found a significant correlation between the environmental credentials of companies and share performance.

Why has this point made so little impact on fund managers? Are the financial analysts behind the times? Or are they right to think that the arguments linking the environment with financial performance owe more to wishful thinking than to careful analysis?

The first possibility – that financial institutions are being slow on the uptake – was endorsed by a recent European Commission report.

"Companies increasingly see environmental issues as being of relevance to their business development, yet financial markets, particularly investors, are uninterested," said Delphi International, the consultancy.

The report blamed this indifference on lack of quality information, the investment community's inertia and conflict between the short-termism of the financial markets and long-term sustainable development.

There are some exceptions. In the late 1980s and early 1990s, a handful of brokers published research examining the impact of the environment on investments. And the large provisions by British Gas and Hanson for the cost of cleaning up contaminated land acted as clear "wake up" calls.

'They're being green because specific environmental actions make good business sense'

But overall, the Delphi researchers concluded that "of all the forces for change on the investment sector, those coming from within have been probably the least effective," it says.

But could the mainstream financial sector be justified in its reluctance to use environmental issues as a guide to investment performance?

Sceptics point out that correlation is not the same as causation. The link between environmental and investment performance may be because companies with good environmental records are better managed. More profitable companies have more money and greater flexibility when it comes to environmental projects.

There are dangers in making sweeping generalisations about such a complex issue. "There is no reason to believe that environmental performance is an equal driver of value across all sectors and industries," says the World Resources Institute, a Washington-based environmental think-tank.

It points out that environment management is not a single topic. Rather, it says, it can be split into several issues: the need for a company to protect its "franchise" by complying with regulations and preserving its reputation; "eco-efficiency" measures that prevent pollution and reduce waste; and the adaptation of product and markets to take advantage of new opportunities.

To lump all environmental strategies together is to ignore the motivation of individual companies: "They aren't merely being green; they're being green because specific environmental actions make good business sense."

Defining the environmental actions that make good business sense is not easy. A recent report from Earthscan, the UK-based environmental publisher, on the link between company environmental and financial performance illustrates the point by setting out a number of potential "green" corporate benefits including cost savings, credit ratings, recruitment, morale, risk avoidance, employee morale, stakeholder relations, media attention and public respect.

In each case, however, it puts forward a possible counter-argument. For example, promoting a good environmental image may increase a company's vulnerability to bad publicity. "It is much easier to attack a high-profile environmentally-aware company like the Body Shop for a single transgression from its stated environmental policy because the company has a high media profile built on the back of its excellence," it says.

Perhaps the most important issue concerning the business impact is the question: Do environment improvements lead to savings or to extra financial burdens? David Edwards, author of the Earthscan report, says enthusiasm about cost savings has given way to a more cautious approach: "As diminishing returns on environmental investment have set in, the new generation of environmental managers have found it difficult to replicate the impressive successes of the 1980s and are increasingly nervous of stakeholder reaction to expensive environmental investments."

But this debate itself suggests that for better or worse, environmental issues have a financial impact. Regardless of whether environmental spending is a burden or a benefit, arguably investors should take note of it.

Adopting this approach would involve a change of investor attitude. A survey carried out in 1994 by Extel Financial showed that investment analysts often shied away from examining environmental issues on the grounds that they were "moral" or "emotional".

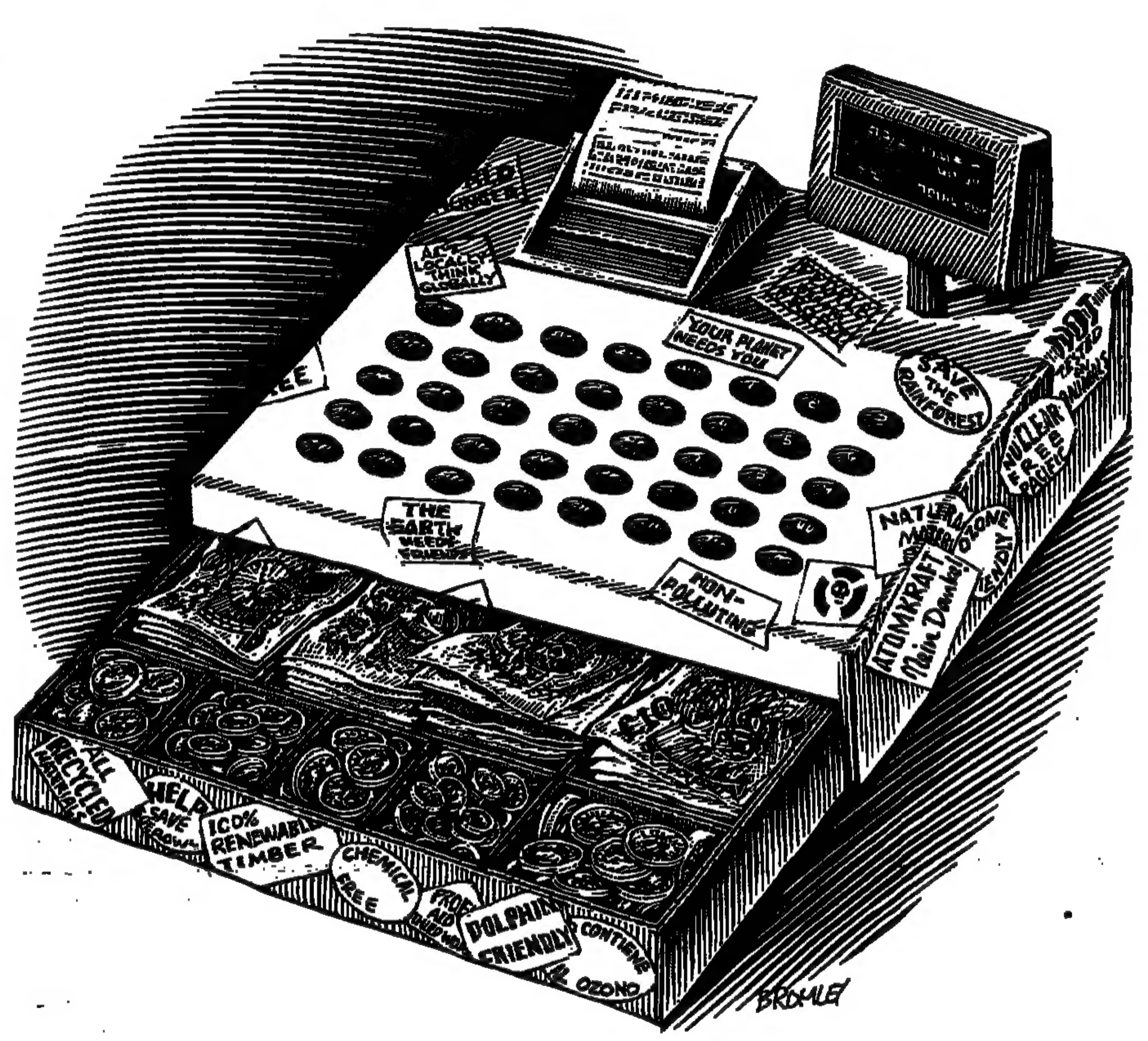
"Once you start taking an emotional standpoint, you undermine what you're there for," says an insurance analyst.

This attitude was evident last year when John Denham, a UK government minister, proposed that pension fund trustees should outline their ethical positions. His proposal was criticised by the pensions industry on the grounds that it failed to recognise the fiduciary duty of the trustee.

But the idea that trustees cannot take account of environmental issues in shaping their investment policy is a misunderstanding. It ignores the potential impact on the investment's long-term risk and attractiveness, according to Stephen Tromans, head of the environmental law department of Simmons & Simmons, a law firm: "It is difficult to see how trustees could in fact fulfil this role properly without paying regard to environmental matters."

A similar debate is underway in the US. The legal obligation of investors to act "prudently" and "exclusively" for the owner of the assets has been generally considered to exclude social concerns such as environmental issues.

But the World Resources Institute argues that this logic could eventually be turned on its head. Once it has been firmly established that there is a link between environmental and financial performance, then it would be imprudent not to consider a company's environmental performance when selecting an investment. "While this sounds far-fetched now, it might not be so far off," it says.



BENEFITS OF AN ECOLOGICAL APPROACH

Go green, invest and then prosper

Edward Alden on claims that investing in companies that care about the environment is a way to outperform the market

Matthew Kiernan has experienced the cold shoulder often on Wall Street and in the City of London.

The head of Toronto-based Innovest Strategic Value Advisors, Mr Kiernan has spent the last three years trying to peddle a controversial idea to financial analysts and institutional investors: that companies that care about the environment outperform those that do not.

"People of my ilk are generally deemed by Wall Street and the City as ephemeral, woolly-minded, granola-eating types," he says. "The opposite is true."

Mr Kiernan is part of a small but growing number of financially-minded environmentalists who are building a compelling case that investing in companies with strong environmental management is a way to outperform the broader market consistently .

In a live simulation last year conducted by Innovest and Morgan Stanley, an enhanced index weighted towards companies with strong environmental management outperformed the Standard & Poor's 500 by nearly 2 percentage points. A similar three-year back test showed a gain of nearly 3½ percentage points.

Innovest's results are much like those of other environmentally-focused money managers using comparable approaches.

But they have done little to thaw the frosty reception on the street.

A UN development programme survey last year of US financial analysts and chief financial officers showed that environmental factors barely register in weighing corporate performance. Only 10 per cent of analysts reported they had criteria for including environmental issues in their analyses.

"The gut instinct is to say this is nonsense, that if you want to buy environmental performance it will be at the expense of financial performance," says Mr Kiernan. That, he argues, is simply wrong. Environmental performance ratings are "a potent, pregnant, robust proxy for superior strategic management," which translates into stronger earnings and greater shareholder value.

The scepticism may come in part from the comparison with socially responsible investment funds. Those funds, which are growing rapidly and now control nearly $100bn (£625m) in assets in the US, exclude certain companies from their portfolios on ethical grounds, particularly eschewing companies in the nuclear, armaments or tobacco industries. Most analysts believe that adding such ethical criteria distorts investment decisions.

Innovest and others taking a similar approach, however, do not automatically exclude these companies. Where a socially responsible fund might avoid mining or chemical companies because those industries are generally heavy polluters, Mr Kiernan argues this is precisely where an environmentally-focused approach has the greatest value.

An example he cites is the comparison between Mobil Oil, which recently entered a merger agreement with Exxon, and Unocal, both large US petroleum companies. Standard & Poor's regards them as virtually identical credit and investment risks, but according to Innovest's environmental risk and performance ratings, Mobil is far the superior company. Its toxic wastes per dollar of revenue, for instance, are half those of Unocal.

'People of my ilk are generally deemed by Wall Street and the City as ephemeral, woolly-minded, granola-eating types'

Matthew Kiernan
Head of Toronto-based Innovest Strategic Value Advisors

Not surprisingly, Mr Kiernan says, Mobil stock has far outperformed Unocal during the past 10 years, and particularly during the last three years when Mobil's environmental rating has steadily improved.

Linda Descano, senior vice-president environmental affairs at Salomon Smith Barney, the US investment bank, agrees that "there is a growing business case for the link between environmental performance and financial performance." But she says that most people on the street still think of the environment as an ethical issue rather than as something driving business strategy.

At most, analysts will acknowledge that some companies with bad environmental records face risks of liabilities and litigation. But rarely will they acknowledge that a better environmental record may translate into superior performance, she says.

Part of the problem is practical. Most companies don't gather environmental data in a way that is useful for analysts.

Ralph Earle, who heads the Massachusetts consulting firm the Assabet Group, says that gathering consistent, objective information to compare corporate environmental performance is exceedingly difficult. To be useful for investors, the information must be available promptly. Two-year-old data on toxic emissions might tell you little about the present or future environmental performance of a company.

Despite widespread scepticism, Mr Kiernan has won some converts. Bill Coughlin, managing director at Delta Capital, says the environmental approach "is outside Wall Street's little box, their strategic manual of how to analyse companies. But times are changing so rapidly it would be ludicrous to ignore anything."

The biggest hurdle for Innovest and others pushing environmentally-driven investing may be the perception that they care more about the environment than they do about money.

Mr Kiernan says his goal is to make money by exploiting a link between environmental and corporate performance that investors are only slowly acknowledging. "We try to be as empirically-driven, as non-ethically-driven, as we can be.

"The fact that we hope to save the planet is a byproduct."

BUSINESS TRAVEL HOTEL CONSOLIDATION

Building up foyer power

Gillian Upton looks at the pros and cons of alliances and partnerships as hotel groups shape up to a business that is increasingly becoming global

Unlikely as it may seem, the Trianon Palace in Versailles, Danieli in Venice, the modern Sheraton at Schiphol airport and the glitzy Phoenician resort and spa in Scottsdale, Arizona, all belong to the same hotel company. Starwood Hotels & Resorts has 650 hotels in 73 countries and is the world's largest hotel group by market capitalisation.

In Los Angeles, three very different properties – the three-star Country Inn hotel, the four-star Radisson and five-star Regent – share the same owner. All belong, with a nearby TFI Friday's restaurant, to Carlson Hospitality Worldwide, which has 550 hotels in 71 countries. "We're conquering the world, or certainly trying to," says Curtis Nelson, chief executive of Carlson Hospitality Worldwide.

Starwood and Carlson, with Bass and Marriott, comprise the four biggest global hotel chains. Just as airlines have formed alliances or marketing partnerships, so the world's hotel chains are following suit.

The aim is the same: to achieve critical mass and economies of scale. Hotels, like airlines, can reduce unit costs by centralising reservations and sales offices. Moreover, hotels have more buying opportunities because, unlike airlines, they are not burdened by restrictive ownership laws.

The trend has absorbed many familiar names. Ritz-Carlton, Ramada and Renaissance now belong to Marriott; Bass Hotels & Resorts owns Inter-Continental, Holiday Inn and Crowne Plaza. Starwood, a relative newcomer, scooped up Westin, Sheraton and Turnberry in Scotland. After 33 years of feuding, Hilton International and the Hilton Corporation now share the same logo.

But what does it mean for the business traveller? Consumer benefits are variable, depending on who you to talk to. "Hotels can get their brand better known across the market, achieve a wider representation. And the more properties in their reservation system, the cheaper each *booking is. But the benefits are* not strictly there for the consumer," says Andrew Shaw, associate director at BDO Hospitality Consulting, an international hotel consulting group.

Hotels should respond better to customer needs because their databases should be far more sophisticated: the feather pillow you prefer should be on your bed on arrival.

Mr Nelson points to greater capital expenditure and, in Carlson's case, a $1bn (£625m) investment in technology, including *state-of-the-art distribution and* direct-booking systems. "The Regent hotel group alone could never have afforded that," he says.

Arguably, consumers have the advantage of a one-stop-shop, particularly on bookings for a multi-city trip. "It's less arduous because you have fewer people to *negotiate with*," says Richard Cornwell, head of UK travel at PwC, the international accountancy firm. This also applies to consortiums.

'More competitive pricing is likely only if you are a big travel purchaser'

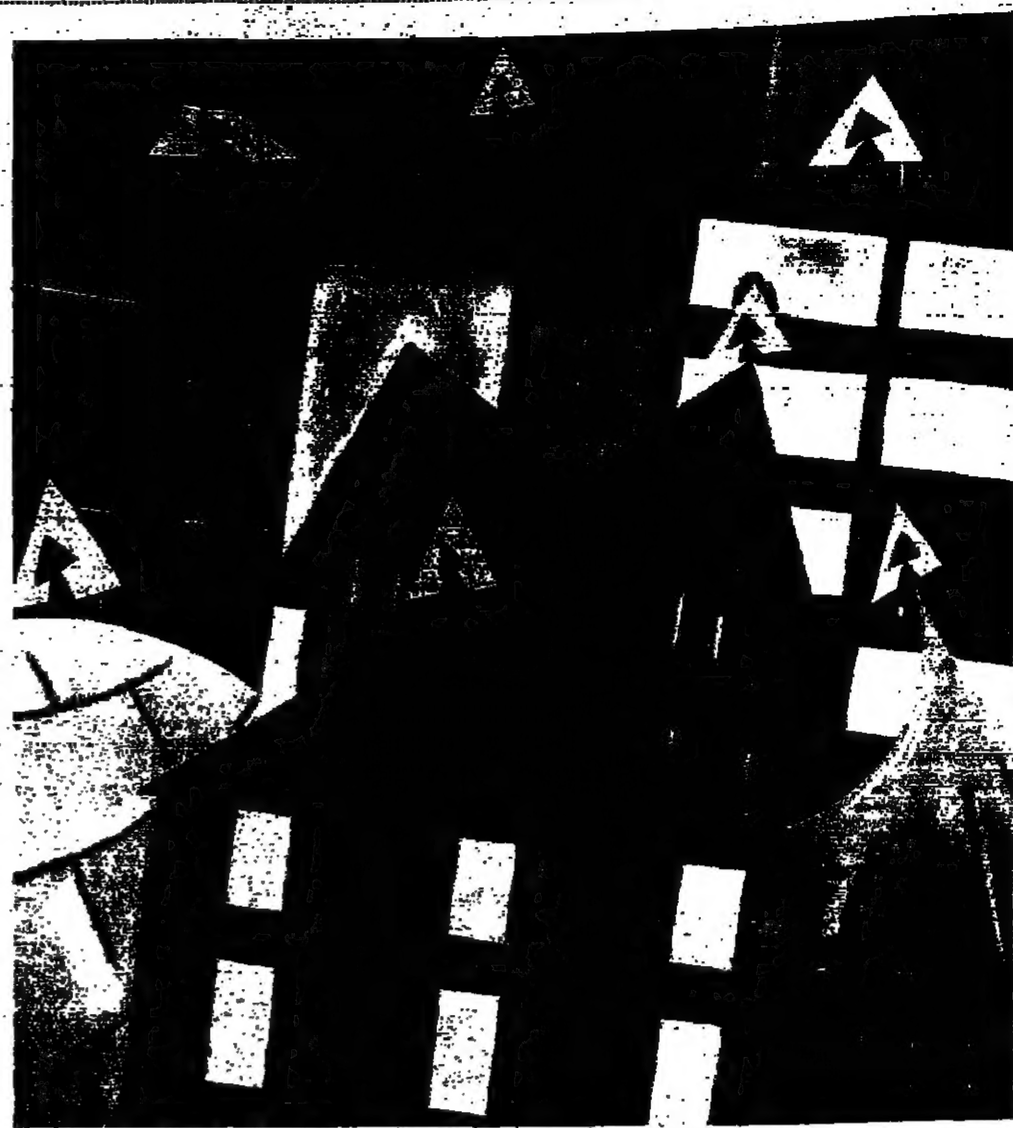
More competitive pricing is likely only if, like PwC, you are a big travel purchaser. Without large bookings some buyers will not see any benefits. "Pricing is not a benefit when you become market dominant; companies usually milk that dominance," argues Geoff Parkinson, managing director of The Christie Group, hotel consultants.

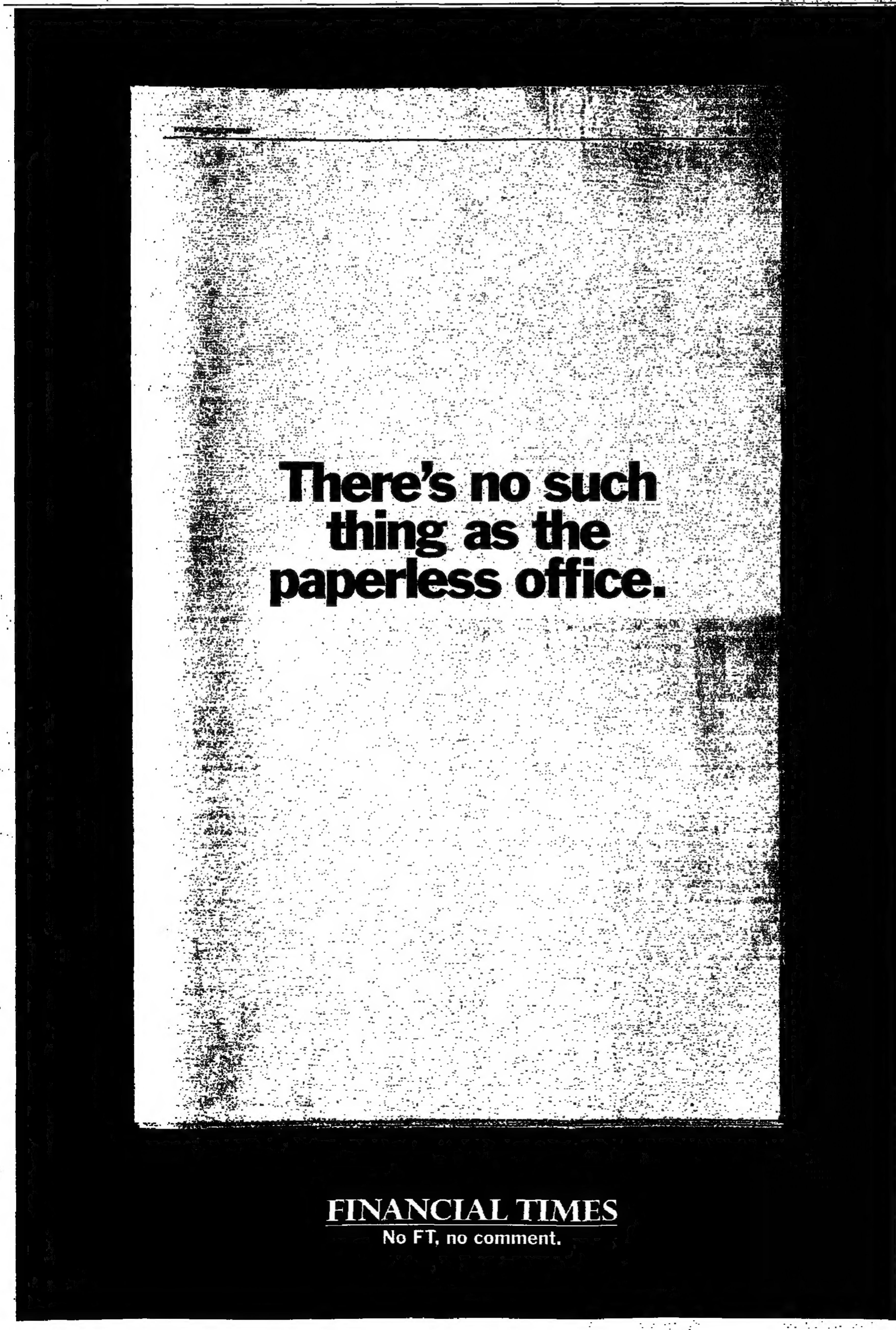
Consumers are at least wiser to their bargaining power, particularly since the last recession, and *can always vote with their feet.* But if the trend continues consumer choice could diminish.

Hotel consolidation has largely involved US groups, but Juergen Bartels, chief executive of Hotel Group, Starwood Hotels & Resorts Worldwide, believes there are rich pickings in Europe. "There will be huge consolidation. Thirty per cent of hotels in Europe are branded, against 70 per cent in the US. It's all about a global business. Individual hotels cannot survive."

John Wallis, vice-president marketing for Hyatt International, one half of the world's largest privately-owned hotel company, sees it differently. "We can control the product and give better service because we have de-centralised management. Each of our general managers is called an 'inn-trepreneur' and runs the property as his own."

Hyatt Hotels & Resorts' 184 properties, and others like them, make up by far the largest number of hotel properties worldwide. They have responded to tougher competition by joining consortiums, such as Best Western.





MANAGEMENT MANUFACTURING

Search for a winning formula

Insead's awards are aimed at shedding light on the nature of success, says **Peter Marsh**

In most developed countries, manufacturing is still an important economic driving force despite the fact that it accounts for a decreasing share of employment.

In fields such as computing, pharmaceuticals and high-tech areas of engineering, the sector is a focus for a range of new products. In more mature areas such as chemicals, established companies face increasing competition from industry entrants, for instance from south-east Asia.

The challenges faced by companies across the manufacturing spectrum are being investigated over the next few months by Insead, the international business school based in France, as part of its work on what makes for manufacturing success.

The business school wants European companies to enter for awards due to be made later this year. The awards will be based on performance in areas such as product development, new processes and companies' use of information technology.

Insead began organising annual industrial awards five years ago. Initially these involved French companies; German companies were brought in three years ago.

Winners have included divisions of the following companies operating in France or Germany: Schneider, the French electrical equipment company; Britax, a UK maker of car mirrors; Johnson Controls, the US vehicle-seating maker; and Alstom, the Anglo-French heavy engineering concern.

This year, for the first time, manufacturing companies operating in the UK and other parts of Europe are being invited to participate. Entrants have to fill in a questionnaire, *the details of* which will be kept confidential. These will be examined by Insead staff, and, by the end of March, the business school will draw up a shortlist of promising companies.

These companies will then receive visits from Insead experts in the school's Centre for Integrated Manufacturing and Service Operations.

They will talk to company employees about areas such as links with suppliers, the extent to which the manufacturers adopt service-based strategies in adding value to their products and helping customers, and ways to encourage workers to come up with ideas to improve their company's competitiveness.

Companies on the shortlist will be given detailed feedback by Insead staff

Companies on the shortlist will be given detailed feedback by the Insead staff, enabling them *to compare* their performance and strategies with those of comparable businesses.

Those that succeed in getting that far in the project should benefit from ideas they pick up from some of the world's leading manufacturing concerns. Awards in a variety of areas will be presented in the summer.

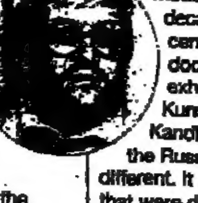
More information can be obtained from John Chappell, CIMSO project co-ordinator, tel 00 331 6072 4387 or fax 00 331 6074 5500. The questionnaire and other details about the programme are available on Insead's internet website at http://www.insead.fr/CIMSO/.

Prize opportunity: for the first time, manufacturing companies in the UK and other parts of Europe can take part Stefan Boness

OPENINGS

ANTWERP
Ivo van Hove stages a new production of *Lulu* for Flanders Opera on Wednesday, with Constance Hauman in the title role. Bernhard Kontarsky conducts. After five performances in Antwerp, the production moves to Ghent on February 13.

PARIS
The Centre Georges Pompidou celebrates the work of David Hockney (right) in an exhibition running from Wednesday until April 26. "David Hockney: Espace/Paysage" studies his approach to landscape painting since the 1960s. It includes two vast new panoramas of the Grand Canyon.

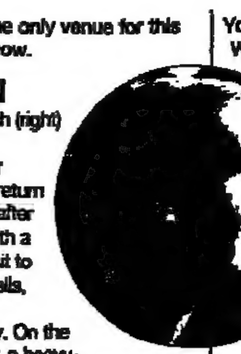


HOUSTON
On Friday the Houston Grand Opera mounts its first production of Stephen Sondheim's *A Little Night Music*. The starry cast includes Frederica von Stade, Evelyn Lear and Thomas Allen. The show runs at Wortham Center until February 14.

ZURICH
The Russian contribution to modern art in the first two decades of the 20th century has been documented in countless exhibitions. But the Kunsthaus's "Chagall, Kandinsky, Malevich and the Russian avant-garde" is different. It presents 90 pictures that were discovered in provincial museums after perestroika and have never been seen in the West. The show opens on Friday and runs until April 25.

FORT WORTH
An exhibition juxtaposing works by Matisse and Picasso (above, left and right) opens at the Kimbell Art Museum on Sunday. The aim is to document the rivalry, born of mutual respect, of two geniuses of modern art in the years of their maturity. Fort Worth is the only venue for this unusual show.

LONDON
Pina Bausch (right) and her Tanztheater Wuppertal return to London after 17 years with a four day visit to Sadler's Wells, starting on Wednesday. On the bill is *Viktor*, a heavy-weight but rewarding piece for serious dance-theatre fans.



The National Gallery is mounting the first exhibition outside France to bring together Ingres's painted and drawn portraits. Most of his best-known works are included, among them a rare loan from the Frick in New York. The show opens on Wednesday and moves to Washington in May.

The Queen's Gallery at Buckingham Palace is devoting an exhibition exclusively to King Charles I. Dozens of images, including the famous but rarely seen Van Dyck triple portrait, go on show from Friday until May 3.

British theatre guru Peter Gill has both written and directed his latest play, *Certain Young Men*, which opens at the Almeida Theatre on Wednesday.

A new version of Ostrovsky's play *The Forest* by playwright and director Alan Ayckbourn opens at the Lyttelton Theatre on Thursday. Anthony Page directs; the cast is led by Michael Feast, Frances de la Tour, and Michael Williams.

WINNIPEG
The Winnipeg Symphony Orchestra's new music festival starts on Friday and runs throughout the following week. In the opening and closing concerts at Manitoba Centennial Concert Hall, Bramwell Tovey conducts works by Gavin Bryars and Christopher Rouse, who is this year's featured composer.

AMSTERDAM
The Netherlands Opera's new *Carmen* should be worth watching, if only to see how young German stage director Andreas Homoki views the title role (sung by Carmen Oprisanu). Edo de Waart conducts, and the first night at the Muziektheater is Thursday.

The everyday treasures of ordinary folk

At the Museum of Collectors, **Ralph Rugoff** explores what triggers the lust for possession

No one really knows what moves the gears in a collector's heart. But whether it is simply aesthetic whim or a displaced desire for that ultimate lost object, mummy's breast, it's a truism that collectors will collect virtually anything. Think of an object, no matter how unprepossessing – toilet paper, shoe laces, soda cans – and it's safe to assume that someone out there has accrued a choice selection of representative samples.

Nor is the inspired collector necessarily limited to physical artefacts: several years ago, Sotheby's auctioned off a Soviet lunar vehicle left behind on the moon. Its $68,500 price tag did not include delivery charges, so its new owner could only peer at his possession through a telescope, perhaps experiencing a metaphysical thrill at the idea of owning something he could never lay hands on.

The owner of Napoleon's penis can comfortably assume that he possesses a one-of-a-kind object – although hardly one to be hung on the living-room wall

Concentrating on more down-to-earth examples, the Museum of Collectors, a temporary installation at the Bargehouse on London's South Bank, showcases the everyday treasures of ordinary folk. While perusing other people's hobbies rarely makes for gripping entertainment, the museum's curators have created a lively and visually appealing exhibition that sheds light not only on the surprising range of items which people collect, but also on the reasons they do so. The curators have also worked with this intriguing collection of collectors to present their possessions in ingenious ways.

As you walk up the stairs to the first-floor galleries, a superb selection of tangerine tissue wrappers hangs from the underside of the stairwell above. Stirring gently like gaily-coloured banners, their elegant designs evoke abstract heraldic emblems from an international parliament. And in a room filled with dozens of plastic glow-in-the-dark monsters, the house lights repeatedly fade to black, plunging the viewer into an eerie darkness punctuated by the dim glow of phosphorescent creatures.

There are more curious contemporary ephemera elsewhere: a collection of rejection letters; a poignant assortment of vinyl Romanian carrier bags, emblazoned with glossy, kitsch visions of the good life as well as English words such as "Shopping", "True Love" and "Family". And yes, there are soda cans on display, including samples of Biker Cola and bubblegum-flavoured Hubba Bubba – which, judging by its unappetising package, is probably safer to collect than to imbibe.

Beside each collection the curators have placed brief yet revealing statements from the individual lenders. Rather than suggest a common motivation, these betray a striking diversity of motives that will confound the theories of single-minded psychologists.

One woman complains that she began collecting only as a favour to her mother, who was herself an avid collector and had no more space. Another maintains that her storehouse of electrical insulators makes a stunning conversation piece, noting that "few people can resist an invitation to come up and see my insulators."

The man who treasures plastic monsters does so out of nostalgia for the "happier days" before his father's death and his own serious illness; nostalgia for a more innocent era drives another man who collects tin noise-makers.

A somewhat frightening display of orgiastic groups of Care Bears, meanwhile, serves to remind us that at some latent juncture, sexuality and collecting seem to cross wires. The lust for possession inevitably gives off a scent of displaced sexual desire, and collections of stuffed animals in particular frequently evince a harem-like aura, as though these pampered objects were so many slumbering concubines, patiently awaiting the gaze and touch of their master.

A hot-pink shrine filled with Dolly Parton memorabilia strikes a similar note of barely repressed hysteria. The highlight here is a piece of carpet from Dolly's Nashville home, which is displayed in its own pink vitrine like a holy relic from the cult of celebrity worship.

Hundreds of snow domes: other collections include glow-in-the-dark plastic monsters and tissue tangerine wrappers

While it may seem odd or pathetic to preserve such scraps, the underlying impulse is basically no different from the collecting practices of many institutions. The Richard M. Nixon Museum in Yorba Linda, California, conspicuously showcases items such as the former president's old tennis shoes, a "Dear Dick" note from the back of his high school yearbook, and a poker hand Nixon held while in the Navy. The remarkable inconsequentiality of these items – all of which are mounted under glare-proof glass and dignified with explanatory texts – makes it clear that nothing is so lowly that it cannot be redeemed by the Nixon aura.

This kind of collecting goes back to the tradition of religious relics, and the notion that a sacred figure's personal energy can be transferred into an object. Medieval churches once exhibited the fingernails and bones of saints, and the market for celebrity body parts has continued into our own time.

There is a persistent rumour that gangster John Dillinger's penis lies squirrelled away in a back pocket of the Walter Reade Army Hospital Museum in Bethesda, Maryland. Autopsied slices of Napoleon Bonaparte, meanwhile, at one time belonged to scattered collections in England and France, while the general's privates eventually ended up in the hands of Dr. John Lattimere, the former chairman of the urology department at a New York medical school.

Though hardly an item you would care to hang over your living room couch, it makes a certain perverse sense once you consider the idea that collections are extensions of ourselves. In addition, the owner of Napoleon's penis can comfortably assume that he possesses a one-of-a-kind object. In a world of reproductions, such knowledge buttresses one's sense of individuality, and for many serious collectors this is a crucial concern.

At The Museum of Collectors, however, the overwhelming majority of collectibles are mass-produced and inexpensive commodities. Lacking any pretense of rarity, the only curious thing about them is that they were saved at all. Indeed, one leaves the museum marvelling at the fidelity of various collectors to the disposable knick-knacks they have rescued from oblivion. Candy meant to be wolfed down has been lovingly immortalised in an impressive display of global confections. Zoo guides and postcards, designed to be used once and tossed away, have been carefully conserved and recycled as historical artefacts.

With trends being devoured at accelerating rates and the life span of objects growing ever shorter, the desire to hold on to such things, to create tiny islands of permanence in an impermanent world, seems understandable enough. Such collections are the folk art of consumer society, and they may well prove to be the most revealing medium of our time.

The Museum of Collectors (0171 401 2255) is at the Bargehouse, Oxo Tower Wharf, Bargehouse Street, SE1; open Wednesday-Friday, 1-7:30pm and Saturday-Sunday, 12-7:30pm, until March 6. Admission is free.

MUSIC SAN FRANCISCO SYMPHONY

A good band without the glitz

Judging by the mounds of publicity preceding the San Francisco Symphony Orchestra's latest European tour, you would think Michael Tilson Thomas was California's musical Messiah. In fact, as anyone who heard this orchestra in the early to mid-90s will know, it was already a fine instrument before Tilson Thomas took over. All it lacked was New World glitz, the very quality you would have thought he would bring. But if there was one factor missing in last Thursday's concert at the Barbican, it was the kind of upfront virtuosity US orchestras usually display when they cross the Atlantic.

As its performances of Ives's *Three Places in New England* and Prokofiev's Fifth Symphony demonstrated, this orchestra has a deceptively understated personality. The sound remains clean, well-moulded and impeccably balanced, with no section, least of all the brass, outgunning the others – virtues bequeathed by Tilson Thomas's predecessor, Herbert Blomstedt, whose invaluable contribution seems to have been spin-doctored out of the SFSO history book.

This is an orchestra which has long learned to listen to itself. What it needs now is a more mature sense of characterisation, of the type that makes the music leap off the page and smack you with its originality and inescapable importance.

If the sound belied the much-vaunted Tilson Thomas makeover, so did the repertoire. Notwithstanding this conductor's claim to be a musical explorer, the most "modern" work on the programme was written by a Dead White American Male nearly a century ago – hardly a mascot for an orchestra from "the most progressive American city".

But it seems curmudgeonly to complain when Ives's open-air triptych was performed with such an illuminating mix of confidence and sensitivity. The congestion-prone climaxes in the opening movement had the same impressionistic clarity as the more poetically distanced effects. In "Putnam's Camp", Tilson Thomas held the tangle of competing march rhythms on the cusp between order and chaos, while the shifting chromatics of the finale were despatched with unforced elegance.

So, too, were the accompaniments in an otherwise over-sophisticated reading of the Mendelssohn Violin Concerto by Gil Shaham, whose choice of extreme tempo and dynamics ended up smothering the music's lyrical simplicity.

If the sound belied the much vaunted Tilson Thomas makeover, so did the repertoire

After the interval, the Prokofiev symphony sounded surprisingly low-voltage. Some of the blame may be attached to the Barbican acoustic, which wasted the orchestra's richly discordant brass choirs. A more likely cause was Tilson Thomas's reluctance to explore contrasts of mood, opting for epic spaciousness at the expense of mystery, expectancy and Cossack fire. For all the controlled agility of scherzo and finale, the playing lacked wit, piquancy, waspishness, especially in the all-important woodwind parts. And the slow movement proved emotionally weightless.

Perhaps that is the trade-off for Tilson Thomas's boyish gravitas. He may have improved the orchestra's fluency and done wonders for its image, but on this evidence he has yet to give it the multi-layered depth of personality that distinguishes its East Coast rivals.

Andrew Clark

SFSO European tour continues till February 9, sponsored by VISA.

INTERNATIONAL Arts Guide

AMSTERDAM
OPERA
Netherlands Opera
Tel: 31-20-551 8911
Carmen: by Bizet. New staging by Andreas Homoki, conducted by Edo de Waart. Cast inludes Carmen Oprisanu; Jan 28

ANTWERP
OPERA
Flanders Opera
Lulu: by Berg. Conducted by Bernhard Kontarsky in a new staging by Ivo van Hove, with Constance Hauman in the title role; Jan 27

BARCELONA
CONCERTS
Palau de la Música Catalana
Tel: 34-93-268 1000
● Cleveland Orchestra: conducted by Christoph von Dohnányi in works by Beethoven and Stravinsky, with violin soloist Frank Peter Zimmerman; Jan 27
● San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Bernstein and Mahler; Jan 28

BERLIN
OPERA
Deutsche Oper
Tel: 49-30-34384-01
● Die Zauberflöte: by Mozart. Conducted by Jiri Kout in a staging by Günter Krämer, with designs by Andreas Reinhardt; Jan 27
● Manon: by Massenet. Conducted by Sebastian Lang-Lessing in a staging by Cesare Lievi; Jan 28

CHICAGO
OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
www.lyricopera.org
● Mefistofele: by Boito. György Györivanyi Rath conducts a revival staged by Peter McClintock. Samuel Ramey sings the title role; Jan 25, 30
● Roméo et Juliette: by Gounod. Conducted by John Nelson in a staging directed by Nicolas Joël. The cast stars Roberto Alagna and Angela Gheorgiu; Jan 26, 29

HOUSTON
THEATRE
Houston Grand Opera, Wortham Center
Tel: 1-713-227 2787
www.hgo.com
A Little Night Music: by Sondheim. Grant Gershon conducts a production by Michael Leeds, with a cast including Frederica von Stade, Thomas Allen and Sheri Greenawald; Jan 29, 30

LONDON
DANCE
Sadler's Wells
Tel: 44-171-863 8000
Tanztheater Wuppertal Pina Bausch: Viktor. Long-awaited return to London by the Pina Bausch company, which is celebrating its 25th anniversary. With designs by Peter Pabst and a score including jazz, folk and classical music; Jan 27, 28, 30

EXHIBITION
Royal Academy of Arts
Tel: 44-171-300 8000
Monet in the 20th Century: arriving in London from Boston, this exhibition brings together late works by the founder of Impressionism. The 80 paintings on display include important public and private loans, culminating in a group of seven of the monumental water lily panels which were the triumph of his career. Also included are paintings of London and Venice; to Apr 18.

LOS ANGELES
OPERA
L A Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
Madama Butterfly: by Puccini. Conducted by Marco Guidarini and directed by Christopher Harlan. With a cast including Yoko Watanabe, Richard Leech and John Atkins; Jan 26, 28

LYON
OPERA
Opéra National de Lyon
Tel: 33-4-7200 4500
Zelmira: by Rossini. Conducted by Maurizio Benini in a staging by Yannis Kokkos, with a cast including Mariella Devia; Jan 27, 30

MADRID
CONCERT
Auditorio Nacional
Tel: 34-1-337 0100
Cleveland Orchestra: conducted by Christoph von Dohnányi in works by Schnittke, Bartók and Schubert; Jan 26

MUNICH
CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Symphonieorchester des Bayerischen Rundfunks: conducted by Lorin Maazel in works by Mozart and Bruckner, with piano soloist Murray Perahia; Jan 27, 30
● Vienna Symphony Orchestra: conducted by Vladimir Fedoseiev in works by Mozart, Mussorgsky and Borodin. With mezzosoprano Marjana Lipovsek; Jan 25

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
www.staatstheater.bayern.de
Lohengrin: by Wagner. Peter Schneider conducts a staging by Götz Friedrich. Cast includes Adrianne Pieczonka and Waltraud Meier; Jan 27, 30

MURCIA
CONCERT
Auditorio y Centro de Congresos
Tel: 34-968-341 060
San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Ives, Bernstein and Prokofiev; Jan 25

NEW YORK
CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
● London Symphony Orchestra: conducted by Colin Davis in works by Beethoven and Elgar; Jan 25, 26
● New York Philharmonic: conducted by André Previn in works by R. Strauss; Jan 27, 28, 29, 30

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Werther: by Massenet. Donald Runnicles conducts a staging by Paul-Emile Deiber. Cast includes Thomas Hampson; Jan 27

PARIS
CONCERTS
Salle Pleyel
Tel: 33-1-4561 6589
● Cleveland Orchestra: conducted by Christoph von Dohnányi in works by Beethoven and Stravinsky, with violin soloist Frank Peter Zimmerman; Jan 30
● Orchestre de Paris: conducted by Neeme Järvi in Orff's Carmina Burana; Jan 27, 28

ROME
EXHIBITION
Palazzo delle Esposizioni
Tel: 39-06-474 5903
Poussin: Early Years in Rome. Display of 41 works produced between 1624 and 1628. The centrepiece is 'The sacking of the temple in Jerusalem by Titus' (1925/6), commissioned by the Barberini family and rediscovered by Denis Mahon, the show's curator. Includes important public and private loans from Europe and the US; to Mar 1

SAN FRANCISCO
CONCERT
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
Jean-Yves Thibaudet: recital by the pianist of works by Debussy, Rachmaninov and Liszt; Jan 30

TOKYO
CONCERTS
Suntory Hall
Tel: 81-3-3584 9999
● NHK Symphony Orchestra: conducted by Stanislaw Skrowaczewski in works by Beethoven, Chopin and Lutoslawski, with piano soloist Bella Davidovich; Jan 28
● Tokyo Metropolitan Symphony Orchestra: conducted by Naoto Ohtomo in works by Minoru Miki; Jan 25

TURIN
EXHIBITION
Biblioteca Reale
Tel: 39-011-545303
Leonardo drawings: 12 works from the library's collection, on display in their new air-conditioned and fireproof home. Includes preparatory sketches for 'The Virgin of the Rocks' and nude studies. Advance booking necessary; to Jan 31

TV AND RADIO
● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

PERSONAL VIEW DOMINIQUE MOISI

Global ghetto or regional bridge?

The responsibility to secure peace in the Middle East rests primarily with Israel's political leaders

The Middle East seems in suspense about the results of the Israeli elections in May. Who would dare risk a prediction?

It is too early to dismiss Benjamin Netanyahu, prime minister and leader of Likud, despite very low opinion polls and his unpopularity within his own party. He may have lost his most loyal friends and allies by failing to demonstrate any sense of loyalty to ideas or people, but he has the survival instincts of a veteran politician and still plenty of fighting spirit left.

Also playing in Mr Netanyahu's favour is the demographic evolution of Israel. Sephardic Jews, ultra-orthodox communities and Russians appear to be more numerous than ever, and are helping to reinforce the sociological basis of conservatism.

It is a shift that belies the economic, cultural and physical appearance of Israel.

Even during the sabbath, Jerusalem, the most religious city in Israel, gives the impression of being an elegant and dramatic part of California. The Museum of Cinema, controlled by the conservative municipality, opens on Friday night. Gay bars have recently opened not far from the ultra-orthodox district of Mea-Shearim.

Visiting the sophisticated Israel Museum in Jerusalem, or strolling around the rooms dedicated to Modern Design, one feels very far from the Middle East indeed.

By their body language, their level of spending (if not affluence), their tastes (if not their daily behaviour), and their important contribution to high technology industries, Israelis are more than ever part of the "global village".

Against this appearance of modernity, the most religious elements of society are fighting a rearguard battle with the help of the electoral system which makes them more powerful than their absolute numbers.

Whatever the depth and seriousness of its identity crisis, Israel is more western than ever. Israelis may rediscover the complexities of their Jewish identity but they do so in a context dominated by globalisation.

Ehud Barak, leader of the Labour party, has to his advantage the fact that most Israelis still support the peace process. Mr Barak's credibility has increased in the past few weeks.

Both Likud and Labour face the challenge of centrists, led by General Amnon Lipkin-Shahak, a former army chief-of-staff, and joined by Yitzhak Mordechai, who was sacked as defence minister by Mr Netanyahu on Saturday.

As for the Arab world, the balance of power is shifting, even though no single country is yet willing to take the leadership role. The end of the cold war, the Gulf war and the dramatic fall in the price of oil are creating a new regional equilibrium.

Four countries emerge out of this morass.

Egypt, whose economy is doing much better, could play a leadership role, but does not. It is too pre-occupied with the growing influence of Islamic fundamentalists within its own borders and, to the south, in Sudan.

Iran, slowly emerging from its Islamic revolutionary phase, is beginning to take centre stage as a result of the self-marginalisation of Iraq. Saudi Arabia has abandoned any idea of playing a dominant role, obsessed as it is by money worries and its own security and stability.

Lastly, Turkey is recovering its influence over the region, despite chronic domestic instability, as disillusionment with Europe grows. The other actors do not count. Syria knows its influence is greater in times of conflict than during peace negotiations. Jordan and Libya, their leaders both ill, are dominated by succession calendars.

Pan-Arabism no longer exists. Pan-Islamism does, but provides little more than a vague sense of belonging.

Reinforcing conservatism: ultra-orthodox Jews in Israel Reuters

And Israel, more inward-looking than interested in the evolution of its regional environment, only seeks short-term gain from the disarray of its neighbours.

Israelis, indeed, sometimes give the impression of ignoring the Arabs at large and the Palestinians in particular.

That is unwise, particularly if one considers the position of the 1m Palestinians who are Israeli citizens.

The behaviour of Palestinians, and that of Israel's Arab neighbours, can influence the choices Israelis make, starting with the forthcoming elections. The bombing campaign by Hamas and the abstention of Israeli Arabs no doubt played a part in Mr Netanyahu's first election victory. Does the Palestinian Liberation Organisation really want the Labour party back in power, or does it see no difference between the policies of Labour and Likud?

In the long-term, the future of Israel depends at least as much on the peaceful and balanced integration of the region as on the solution to the question: "Who is a Jew?"

Israel has a choice: it can either be a "global ghetto" or a "regional bridge". It has to find a way to live with the Palestinians.

At the end of the second world war, Joseph Rovan, liberated from a German concentration camp, reflected that France had had the Germany it deserved. He went on to become one of the principal architects of Franco-German reconciliation.

In the end, the Israelis will have the Palestinian neighbours they deserve. The sin of indifference may prove to be just as damaging as the realities of domination.

The author is deputy director of the Paris-based Institut Français des Relations Internationales and editor of Politique Etrangère. He writes here in a personal capacity.

LETTERS TO THE EDITOR

Nike's plea: judge us by our actions

From Ms Hannah Jones.

Sir, Nike regrets that excerpts from private correspondence made by Nike executive Dr Joseph Ha, which were published in the Financial Times ("Nike accuses its critics," January 21), were interpreted as our corporate attitude towards human rights groups. Dr Ha's statements are inconsistent with Nike's commitment toward forging partnerships with human rights organisations and improving labour conditions for the more than 500,000 people who manufacture, distribute and sell Nike products in over 35 countries.

Nike has worked extensively with national governments and a wide spectrum of human rights, labour groups and international organisations to design programmes aiming to improve labour conditions overseas. In addition, it has benefited as an active participant in President Bill Clinton's Apparel Industry Partnership – a partnership of human rights groups, consumer groups and other companies that agreed to an independent monitoring mechanism for holding global companies accountable for their manufacturing processes.

Nike has also collaborated with local and international non-governmental organisations, to award loans to women in Vietnam and other developing countries for the purposes of establishing their own businesses, to provide education and healthcare for workers.

In addition, Nike has implemented numerous reforms in overseas contract factories including: increasing the minimum age to 18 in footwear factories; increasing wages up to 40 per cent for individuals in entry level footwear manufacturing jobs in Indonesia and improving indoor air quality in footwear factories by using water-based adhesives instead of more harmful petroleum-based adhesives.

We urge people to judge us by our actions and not by private correspondence of an individual employee. We welcome ongoing and productive dialogue with our critics to move us towards our common goal of protecting the rights and dignity of all people. For information about these and other important human rights issues, please visit our website at www.nikeworkers.com.

Hannah Jones,
director, government and community affairs,
Nike European Operations
Marathon 7,
1213 PD Hilversum,
Netherlands

Manufacturers unconvinced by services should look at GE

From Trung Luu.

Sir, Peter Martin's message that manufacturers should concentrate more on services they can provide to customers ("New age massage, January 19) is right on the money – quite literally. Any manufacturer still not convinced of his argument should only look to General Electric of the US to be persuaded.

GE is driven by the desire to create wealth for its shareholders, however it can be achieved, and not just by manufacturing. Almost every time GE sells a jet engine or X-ray machine, it tacks on one or more of a large array of services, including financing, maintenance, and insurance.

The results have been staggering. Among other things, GE is the largest equipment management company in the world and the largest US reinsurer. More pointedly, a $10,000 investment in GE made in 1990 would now be worth a little over $75,000, or a 25 per cent average annual return.

Many companies are exploiting this pattern by which products migrate to solutions. Ryder Systems, the former truck lessor, has emerged as a full-line logistics company; Enron has evolved from gas transportation to complete energy management. Mr Martin has certainly identified a trend that can only continue to grow.

Trung Luu,
Mercer Management Consulting,
10 South Wacker Drive,
13th Floor,
Chicago IL 60606,
US

Be a Friend of the EC's Fifth Framework

From Mr Paul Reid.

Sir, If David Bowen finds the prospect of signing up as a Friend of the Royal Academy onerous (Web Site Inspection, January 22), he might like to consider applying to be an assessor for the European Commission's Fifth Framework Programme. The downloadable application form runs to no less than 15 pages.

But that should not present any problems – intending applicants are assisted by a set of guidelines that occupy a further 27 pages. These are just the English language versions; each document is replicated in 11 different languages.

Paul Reid,
10bis rue Tristan Tzara,
06600 Antibes,
France

Justifying the use of force

From Mr Richard Burger.

Sir, Richard Haass's justification of interventionism is fundamentally flawed ("A question of force", January 11) since neither lack of consensus in the UN Security Council nor its arguably outdated character *per se* lend legitimacy to unilateral or multilateral force.

It is wrong that "legitimacy must stem from the ends and means of what the US or anyone chooses to do". Legitimacy derives from a common sense of what is right or wrong, acceptable or unacceptable. The absence of such agreement in the Security Council thus reflects the situation in the world.

Mr Haass hides behind the new magic ally in foreign policy – a notional "international community" – by invoking "the court of international public opinion" as the ultimate judge of unilateral interventions.

The only institutionalisation of the "international community" with any claim to that title remains the UN, with the Security Council its highest decision-making body. That it operates on clearly defined rules is exactly the source of its legitimacy.

Mr Haass's approach provides potential justification for anybody's use of force.

He in no way answers the fundamental question of when and under what conditions outside use of force in a sovereign country can be justified and legitimised. Part of the answer may lie in a reformed UN system. Until that question is settled, constructive engagement to improve the system rather than go-it-alone interventionism is the only way to avoid a return to power politics and gunboat diplomacy.

Richard Burger,
22 Ave des Chardonnerets,
Woluwe, St Pierre,
1150 Brussels, Belgium

Number One Southwark Bridge, London SE1 9HL

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ECONOMICS NOTEBOOK PETER NORMAN

All together now

European finance ministers are taking the first steps towards coordinating economic policies in the euro-zone

Finance ministers in the euro-zone are beginning to put the 'e' of economics back into economic and monetary union.

During the launch of the euro, the complex task of beginning to co-ordinate economic policy among the 11 members of the single currency was almost forgotten. Now it is back on the agenda. The upshot could be budget cuts to establish the credibility of co-ordinated policies.

The presence of Oskar Lafontaine at the Bonn finance ministry has given a big political push to the need for greater co-ordination. Mr Lafontaine believes it has a vital role to play in reducing unemployment, which is one of the main goals of Germany's six-month presidency of the European Union. It was no coincidence that last Monday's meeting of euro-11 finance ministers, the first under Mr Lafontaine's chairmanship, ran well over schedule.

It is too early to tell whether the euro-11 group will develop into an "economic government" for Emu, as suggested by Dominique Strauss-Kahn, the French finance minister. For the moment, the euro-11 group is some way from being able to define or provide a framework for economic policies in the euro-zone. But that is the goal, and the day when euro-11 finance ministers formulate common guidelines for national budgetary policies may not be far off.

The EU's economics and finance committee, comprising senior officials from finance ministries and central banks, the European commission and the European Central Bank, is also developing its ability to assess how the economy of the EU is developing.

The objective, according to Jean Lemierre, director of the French Treasury, is to foster integration.

Macro economic management is therefore catching up with the conduct of monetary policy at the ECB.

There are, however, some shortcomings standing in the way of effective surveillance and economic co-ordination. Inadequate statistics is one of them.

The 15 members of the EU have made a start in providing data for Eurostat, the EU's statistical service,

Oskar Lafontaine: pushing for economic coordination

> **The euro zone's emerging system of economic policy co-ordination faces a substantial test in the way EU member states approach their obligations**

which produces a highly regarded series of harmonised indices on consumer prices (HICP). These are the statistics used by the ECB when it takes decisions on monetary policy.

Last week, finance ministers endorsed a report setting out further statistical requirements, including improved national statistics and some new EU and euro-zone indicators.

The ministers said quarterly national and financial account data for the general government sector were needed to allow comparable data on public finances.

There will follow a step-by-step improvement on comparable budgetary indicators such as tax revenue, social security contributions and borrowing requirements.

The irrevocable fixing of exchange rates under emu means that cross-country comparisons of labour markets and labour costs will become more important. Indices of labour costs in the euro-zone and within the EU are being planned.

Wage inflation will also continue to be an important indicator for the ECB.

To allow a better grasp of labour market developments, the report suggested that, by the year 2000, member states should aim to have a continuous labour force survey that provided quarterly data upon employment and unemployment.

Of course, there will be complications in harmonising statistics. The report adopted by the ministers noted "major problems concerning coverage of service activities and smaller enterprises", which together account for more than 60 per cent of private sector employment.

The statistical coverage of part-time employment and certain components of pay such as bonuses and overtime was also found to be "uneven".

Useful though they may be, good statistics are no substitute for political will. The euro zone's emerging system of economic policy coordination faces a substantial test in the way EU member states approach their obligations under the growth and stability pact.

There is no short-term risk of any euro-zone country exceeding the Maastricht Treaty ceiling on public deficits of 3 per cent of gross domestic product. But not all member states are close to achieving the prescribed medium-term objective of being "close to balance or to surplus" in their fiscal accounts.

Doubts have surfaced about the ability of France and Germany to lower their deficits in line with stability pact.

The commission has already taken a hard line with Austria, telling its government this month that its final medium-term budget deficit target of 1.4 per cent of GDP in 2002 bordered on the outside limits of acceptability.

Neither Mr Strauss-Kahn nor Mr Lafontaine can be faulted in their desire to co-ordinate economic policies. But they may yet have to implement painful budgetary policies at home to establish the credibility of their aspirations.

COMMENT & ANALYSIS

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
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Going for gold

The Olympic movement, that remarkable and fragile institution, has been placed in jeopardy by the alleged corruption of members of the International Olympic Committee. The accusations relate only to where the games should be held, which some might think a secondary matter. But corruption is a progressive disease. If the public ever came to doubt how the medals were awarded, the Games would be deservedly finished.

Predictable calls for the head of Juan Samaranch, the IOC's president, are surely justified. This is not because there are any doubts about his personal probity but because, having run the IOC for so long, he must take prime responsibility for its Augean condition. But this is a side-issue. The whole system might have been designed to breed corruption, and needs radical reform.

Who should undertake it? The Olympics depend on powerful commercial interests: the sponsors, the host cities and the television networks. The Games exist to serve none of those, but rather the world's population. It is therefore no use looking to the sponsors to reform the system, nor to host cities to renounce bribery. The world's only representative, for better for worse, is the IOC. It must reform itself.

Perhaps the issue could be bypassed by giving the Games a permanent home - say, in Greece. But the whole spirit of the Games is global. If everyone is to own them, they must be shared around. And it is precisely the diversity of past venues which has given them their character.

So, to the present system. Parts of it are obvious nonsense. IOC members get no salary. They are paid expenses, mostly by the competing cities. They are not democratically elected, but invited into the club.

The best weapon against corruption is to pay officials a decent wage. The IOC can easily afford that. It can equally afford its own expenses. Making it democratic might be a little harder, but there are models, such as FIFA, the governing body of football's World Cup. It is run by a 24-strong board elected by its 200-odd member associations.

Finally, how should the host city be selected? There is much to be said for rotating the Games around continents or regions in turn. But the final choice rests on objective criteria: facilities, accommodation, communications and security. That is a job not for ex-athletes and sports fans, but for professional consultants. Let a reputable firm draw up a short list based on published findings. Then let a small group of IOC members make their choice on equally public grounds.

The sad truth is that there is no way to force the IOC to do any of this. But it is a remarkable institution in its way. With luck, the present crisis will shock it into facing its responsibilities. If not, everyone will be the poorer.

Dollarisation

Argentina's currency board was created after decades of high inflation, culminating in hyperinflation. The country then decided the cost of monetary irresponsibility outweighed the gains of independence. With that decision taken, the benefits of maintaining the peso's identity have become very doubtful.

The chief argument for possessing a currency is, after all, the ability to adjust monetary policy. Once a country wants to give up that option, the only benefits of a national currency, such as the peso, are the survival of a symbol of national identity and the income from "seignorage" (the interest on the foreign currency reserves that back the issue of notes).

Alas, these modest benefits do not come cost-free. On the contrary, the existence of a separate currency visibly preserves the option of autonomy. The price of this option will depend on the perceived chances of its being exercised. Its scale is shown by the interest rate differential between dollar- and peso-denominated assets with identical maturities. Over the past 12 months, the spread between interest rates on Argentinian 30-day loans in pesos and dollars has varied between 0.5 percentage points and 4.4 percentage points. If the peso-dollar link were perfectly credible, these spreads would be close to zero.

So Argentinians are paying a price for an option their government wants never to exercise. The way to eliminate this price is to eliminate the option. Dollarisation – scrapping the peso – would go a long way towards this aim. It would not go all the way because a currency can always be recreated. But the reason to re-introduce a currency would only be to devalue it. Moreover, re-introduction would be time-consuming. So announcing the intention to do so would trigger a financial crisis. Once investors realised how costly a return to autonomy had become, the price Argentinians would have to pay for their option of autonomy would surely fall.

If Argentinians do want to give up monetary autonomy forever, dollarisation makes sense. It would be still better to become a full part of the US currency union. The Federal Reserve would then become lender of last resort to – and US supervisors would oversee – banks in Argentina. Even the profits of seignorage might be shared. A pipe dream? Today, certainly. In the long run, however, extension of the US monetary union might be the best way to spread monetary stability throughout the Americas.

Clinton's trial

Bill Clinton's behaviour, in the words of his defence team, has been "outrageous, unforgivable, shameless" – but it does not warrant removing the president from office. This is a fair assessment, and one that chimes with US public opinion. But neither the president nor the public have the final say. It is for the Senate to decide whether to convict, in a judgment as much political as forensic. They should take that decision with all speed.

Mr Clinton's trial in the Senate has so far been conducted in a sober and serious fashion. The Republican "managers" from the House Judiciary Committee have pressed their case with force and sensible restraint, steering clear of sordid details. The defence was both rigorous and eloquent. There has been comparatively little of the partisanbitterness that marked the impeachment process in the House.

However, this studied bipartisanship has been strained to breaking-point by the House managers' attempt to drag Monica Lewinsky back to centre-stage. They are in danger of undermining all the good work with what look a desperate political stunt.

The Senators, as judges and jury, should not be distracted by it. They now have three important decisions to make. These are whether to dismiss the case, whether to summon witnesses to appear before them, and whether to convict the president for high crimes and misdemeanours.

The motion to dismiss the case will be made by Senator Robert Byrd, who points out that the 67 votes needed to convict the president simply are not there. Most US citizens, the international community, and many Senators might well agree with him: they would dearly like the process to end now. But early dismissal is unlikely – which may be no bad thing. The case has been made. The Senators should now vote on the articles of impeachment.

That, though, is very different from saying that the trial should be prolonged. In particular, witnesses are unnecessary.

There are only two reasons why Senators would vote to call witnesses: to appease the conservative Clinton-haters, and to attempt to damage a President who has, so far, managed not only to shrug off the trial but to set the political agenda as well. Claims that witnesses will clear up all ambiguities are false. Monica Lewinsky, for one, has already given countless hours of evidence.

If the Republicans use their majority to drag the trial on, they will inflict further political damage on themselves, regardless of any damage they hope to do to the president. The trial should move to closing arguments and a vote without delay.

The politics of ownership

President Clinton's plan to invest part of the US social security surplus in equities blurs the distinction between public and private ownership, says John Plender

The received wisdom of the post-collectivist world is that all debate on the relative merits of public and private ownership is redundant. After President Bill Clinton's State of the Union address last week, that assumption looks highly questionable.

With Mr Clinton's radical proposal for social security surpluses to be invested in the stock market, the US has rediscovered something that looks suspiciously like Swedish social democracy, only more so.

Nor is it only in the US Congress that the politics of ownership looks due for an unexpected airing. As a result of its recent intervention in the markets to ward off the hedge funds, the Hong Kong government is the owner of substantial equity in private sector companies.

The circumstances in which the Hong Kong authorities will extract themselves from this uncharacteristic venture into state ownership remain unclear.

In Japan, the Ministry of Finance's Trust Fund Bureau operates the equivalent of a venture capital fund for housing and infrastructure in its Fiscal Investment and Loan Programme. It is apparent that the fund has increasingly been assuming equity-type risks, even where its investments take the form of loan finance. Bad debts have multiplied.

Japanese state entities have long been active buyers in the capital markets, too. And this week the Liberal Democratic party revealed that it wanted the government to buy $175bn worth of property to help support the collateral of the banking system.

Elsewhere in Asia the trend over the past 18 months has been for the state to take control of private sector assets.

Meanwhile privatisation, the defining policy of the post-collectivist world, has lost impetus. Admittedly this was inevitable since the scope for transfers from the public to private sector is by definition finite.

But the policy has also been tarnished by Russia, where privatisation was more about loot and plunder than procuring a more efficient allocation of resources. Nor has privatisation delivered on its full promise in eastern Europe.

How far, then, is ownership set to come back from the margins of the political debate?

The issue is not a political one in Asia, where the change in ownership patterns is dictated by financial crisis rather than ideology.

As with state acquisitions of Scandinavian banks in the early 1990s, nationalisation in Japan and the rest of Asia is a temporary solution to the banking crises that afflict the region.

Since the bail-outs in banking will impose a burden on public finances, a new round of privatisation may be needed in due course to help reduce an excessive level of public sector debt.

Yet the US is another matter since its plans for the social security system have a time horizon of more than 50 years. In prospect is the transfer of $2,800bn worth of budgetary surplus to the social security system over the next 15 years alone. Up to a quarter of this sum – $700bn – is being earmarked for investment in the stock market.

The administration wants to work with Congress for a bipartisan social security plan. The idea is to invest part of the surplus to achieve higher returns than the partially funded scheme currently earns on government bonds. There will be a mechanism, Mr Clinton said last Tuesday, to ensure that investments are made independently and without political interference.

This sounds strikingly similar to the funded part of the Swedish state pension system – but with important and rather surprising differences. One is that a recent International Monetary Fund study rates the US state pension system as significantly more redistributive than social democratic Sweden.

More importantly, in the present context, equity ownership confers significant control rights. And political concern over the risk of backdoor nationalisation of industry and commerce forced the Swedish government to impose tight portfolio constraints at the inception of its scheme in 1960.

Only minimal holdings in shares were allowed. Today the great majority of the country's state pension assets are still invested in bonds and loans.

Concern about political manipulation in the US has already been voiced by Alan Greenspan, Federal Reserve chairman.

It was Mr Greenspan who in the 1980s headed the commission that persuaded the Reagan administration to adopt partial funding, whereby the Social Security trust fund invested its reserves exclusively in US treasury bonds.

The risk of political interference is real. Research by the World Bank shows that publicly managed pension funds across the world deliver on average much poorer returns than private occupational pension funds. The record is particularly bad in developing countries, where public pension schemes are too often used by governments as convenient slush funds.

A common practice is to invest in government securities and cheap housing loans at negative real rates of interest. Even the well-regarded public provident funds of Singapore and Malaysia deliver returns that look poor relative to the private sector.

That said, the US has a uniquely transparent political system, complete with checks and balances designed to impede unscrupulous lawmakers. The return on the Social Security trust fund's current bond portfolio is respectable when compared with other bond funds, though not when measured against funds with the freedom to invest in equities.

It is hard to believe that a plan that could turn the federal government into the biggest shareholder in the stock market will have an easy political passage. Control rights attached to equities in the fund will have to be neutered

Unlike Sweden, where the social security funds were potentially large in relation to the local stock market capitalisation, the relative values in the US are not excessively daunting. True, $700bn is much larger than any existing US pension fund. But even that sum invested by the Social Security trust fund over 15 years looks small beer against the current US equity market capitalisation of more than $11,000bn. At worst there might be a piecemeal concern about backdoor nationalisation at individual companies, but certainly no generalised threat.

That is not to say that there are no questions about the way the investments might be managed in practice. If the fund's investments are passively indexed, will this contribute to a less flexible equity market? Will smaller companies be left out in the cold? How will the managers of this governmental pool of capital cast their proxy votes, especially in relation to politically sensitive sectors like tobacco where the president is proposing to sue the industry?

If President Clinton's proposal is representative of the much-discussed political Third Way, it is singularly untrendy. The perpetuation of universal benefits in social security is classic old-style, left-of-centre politics. The move into equities is being presented as good financial housekeeping – a way of keeping the social security show on the road for longer by prudent spreading of the portfolio.

Some members of Mr Clinton's Advisory Council on Social Security, which reported in 1997, wanted a reform designed to connect people more directly with the prosperity of the US economy – in other words, something akin to the British defined contribution "stakeholder" pensions initiative.

Instead this is a paternalistic, defined benefit scheme in which the rewards are related not to stock market returns but to workers' earnings. So the advocates of popular capitalism have been frustrated. However, another proposed plan to set aside 11 per cent of the projected federal budget surpluses for new, subsidised universal savings accounts (USAs) opens the way to individual equity ownership on a smaller scale.

There is nothing new about state-sponsored equity investment for pensions. Indeed, the Clinton proposal highlights, by implication, the anomalous political position of existing public sector pension funds.

Despite the unfashionable nature of state ownership and control, state (or local government) pension funds are still some of the biggest in the capital markets of the US and Europe. They thus defy the conventional wisdom that public ownership and control is desirable only where there is no alternative. Many do a more cost-effective job in pension provision than private schemes. But if they did not exist, the private sector could easily pick up the baton.

There is one respect, however, in which a federal pension plan may not be able to emulate the state pension funds, which are more inclined to shareholder activism than their private sector counterparts. Private sector funds are usually management controlled and thus not inclined to challenge incumbent management.

For that reason alone it is hard to believe that a plan that could turn the federal government into the biggest shareholder in the stock market will have an easy political passage.

Such a concentration of financial power sits uneasily with the American political tradition. It follows that the control rights attached to the equities in the fund will have to be neutered.

OBSERVER

Getting back in the frame

International auction house Sotheby's is utterly fed up with waiting for the demolition of a French trade barrier that dates back to Napoleonic times.

Under 450-year-old laws, French auctioneers have enjoyed a monopoly in their home market. Only a small number are allowed to act as auctioneers of used goods – including works of art. The monopoly, known as *commissaires priseurs* and granted way back in 1556 by King Henry II, is being removed under new European Union rules, but the legislation to kill it off has been held up.

A draft bill proposing to end the monopoly was adopted by the French government last summer, but the Justice Ministry says it can't be considered by the Senate until March, with the new laws enacted later this year.

And it's not just foreign auctioneers who are fed up; art experts blame the tight rules governing auctions in France for the flagging fortunes of its art market, once a power in world art but now trailing dismally behind Britain and the United States.

So Sotheby's has decided to make a point by teaming up with French auctioneers to sell the art collection from Groussay Castle, an elegant 180-year-old edifice outside Paris. The auction is likely to raise more than $17m.

"Time has come to draw the attention of the authorities to the urgent need to reform the French art market in order to allow our country to retain its place on the international art market," says Princess Laure de Beauvau Craon, deputy chairwoman of Sotheby's France. And not a moment too soon.

Taking a bite

It's enough to get right up royalty's nose. Take a stroll round the front of Buckingham Palace, the London home of Queen Elizabeth, to soak up Britain's heritage – and the sickly smell of hot dogs and onions.

Call Observer old fashioned, but should visitors to the royal palace have to contend with ranks upon ranks of mobile stalls selling over-priced snacks within feet of the gates? On some days there can be up to six of the unsightly, smelly wagons plying their trade; the palace is far from amused but even the monarch seems powerless to get them removed.

The pedestrianised area in front of the famous railings is the responsibility of the Royal Parks Agency; if the local authority had a say, they could seize the trolleys and destroy them. But royal parks by-laws are ancient and difficult to enforce, something that has not escaped the wily hot dog vendors.

Culture minister Chris Smith has been asked to see what he can do but new legislation is required to stop trading in the parks – and parliamentary time is hard to find, even if the Queen's own nostrils are being assaulted.

With the culture department insisting it is anxious to plug the legal loophole as soon as it can, the fear is the summer will bring hordes of sausage sellers. Time to set the Queen's corgi dogs loose.

Now or never

So a Finnish professor has decided to record Elvis Presley's songs in Sumerian, a language that's been dead for 2,000 years. Jukka Ammondt is kicking off with one of The King's best known anthems, "Blue Suede Shoes". But he's hit on a problem: Sumerians had neither suede nor shoes in 2000 BC.

No matter, says the resourceful Ammondt. He translates the song-title as "Esir Kus Za-gin", which means "sandals of leather of the colour of a blue gem". Rock 'n' rolling Sumerians would have worn their leather sandals in the lower Euphrates river valley – now Iraq.

But whatever would the singer of ballads like "Heartbreak Hotel" and "All Shook Up" have thought? According to Ammondt, Elvis would at least have been impressed with his diction.

"I'm not sure about my Sumerian but they say Finnish is well-suited to pronouncing Sumerian because it's such a phonetic language." It's a far cry from "Hound Dog".

Heads and tails

British Digital imaging services specialist Wace is pulling out all the stops (or should that be plugging in all the connections?) in its fight against a hostile bid. Out comes a defence document giving details of a specially created web site.

Quick as a flash, Wace has ever so smartly registered *www.rejecttheoffer.com* on which it intends to post every twist in the current battle. But it's also taken the precaution of registering an alternative in case events take a turn and the company looks more kindly on its suitors' blandishments. You can't access it yet but they're ready and standing by with *www.accepttheoffer.com*.

Poetic licence

There's no such thing as free speech in Salt Lake City, Utah. Motorists there have been told to say no to personalised licence plates that campaign against the state's troubled bid to host the 2002 Winter Games. "2002NOT" has been rejected. Instead, pro-Olympic plates have been issued – "OLYMPX", "5RNGS" and "02SLC". Drivers who oppose Utah hosting the games will just have to sound their horns instead.

The Financial Times

100 years ago

The French Investor
Our Paris Correspondent draws a lively picture of the immense success of the Indo-Chinese loan. As he points out, there is no colonial enthusiasm to speak of in France, and the majority of the people who applied for the loan would have some difficulty in placing Tongking on the map. But the opportunity of getting a better rate of interest than is possible with Rentes with practically as good a security caused any amount of unloading of old stockings, copper kettles and other receptacles of the wealth of the small French investor.

50 years ago

German Economy Criticised
Frankfurt, Jan. 24. The big contrasts in the standard of living found in Western Germany were sharply criticised by General Bishop, military governor of North Rhine Westphalia, speaking in Dusseldorf at the week-end. Luxury shops were being built instead of houses for miners and refugees, he said. Petrol was being wasted on pleasure trips and electricity on advertising, while power cuts had to be imposed on industry.

FINANCIAL TIMES

MONDAY JANUARY 25 1999

THE LEX COLUMN

In credit

What lessons to draw from a noisy fourth quarter for US bank earnings? Amid numerous merger-related charges, it was possible to detect a blip in the long-term trend towards higher fee income and lower interest income. But banks cannot rely on this continuing. The seizure that afflicted US capital markets for most of last year forced many companies to resort to bank borrowing rather than bond finance. It is unlikely to be repeated, and banks must still develop other sources of revenue.

The real winners were credit card companies. Their profits are rising at an almost Silicon Valley-like rate. Capital One logged an increase in earnings of 45 per cent for the year, while substantially increasing its marketing spend. Providian Financial raised earnings by 55 per cent and MBNA, the largest specialist credit card issuer, logged a 25 per cent increase.

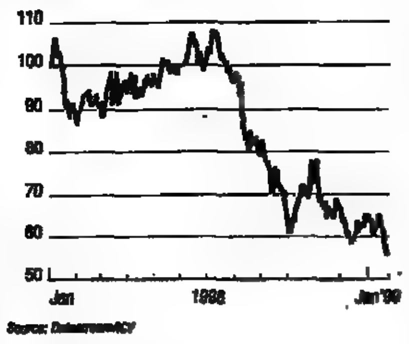
It is now beyond doubt that the credit card business is changing. Customers no longer link a credit card purchase in any way with a trip to a bank branch. As a result, several mid-sized banks have sold credit card businesses in recent months. Worryingly, last year's mega-mergers were founded on the proposition that banks could use their branch network to sell more products: the mythical cross-sell. That proposition looks increasingly implausible.

Cable & Wireless

If investors were concerned that the pace of change at Cable & Wireless would slacken following the departure of Dick "deal-maker" Brown as chief executive, they need not have worried. C&W wants to sell its 20 per cent stake in Bouygues Telecom, the French mobile phone operator, and is not waiting any longer for the other shareholders to decide if they want it. Price tags in the sector have moved up too far for further dithering. It is somewhat surprising, though, that financial investors are emerging as potential buyers. How do you make a quick turn from frothy assets?

Of course, the £456m Cable & Wireless was originally thinking of selling its stake for now looks low. Applying a multiple of 12 to Bouygues Telecom's forecast earnings before interest, tax, depreciation and amortisation for 2000 could value the

British Airways
Share price relative to the FTSE All-Share Index



Source: Datastream/ICV

equity at around £3bn. That would justify £600m for C&W's stake. The multiple looks conservative compared with peers such as Orange. But, for the financial community, Bouygues Telecom is still an unknown quantity. Potential investors will need patience. A flotation would be exciting, despite its number three position in the market. The problem is that the Bouygues conglomerate – which has a majority holding – has prevaricated about a spin-off. Last year it fought rebel shareholder, Vincent Bolloré, on just this issue. C&W's stake is not for someone in a hurry.

British Airways

British Airways' shares have plunged, profit forecasts have been slashed and the planned alliance with American Airlines scaled back. But dropping the pilot, Bob Ayling, would not make things better. For most of BA's woes, blame the cycle, not the chief executive.

Of course, there have been blunders. Misreading the regulatory environment meant rival airline alliances got ahead. And BA contributed to the overcapacity now plaguing transatlantic routes. But management has reacted quickly. Capacity will barely grow next year. Unit costs, tackled when times were good, have fallen some 10 per cent since 1997 – albeit with the help of low fuel prices.

The boldest bit of BA's strategy is to come. By 2002, nearly half its long-haul fleet will be Boeing 777s. These are smaller than the current 747s, with fewer economy seats but the same number of business seats. Chopping off rows filled through last-minute discounting will boost yields. Longer term, this could even point to a two-tier airline: the flagship would increasingly focus on business class (culling less profitable European routes), while Go! – its no-frills airline – picks up the backpackers.

The grand plan, though, comes unstuck if BA loses control of its business travel market: hence the concern at recent declines in premium traffic. Maybe this reflects corporate belt-tightening as business confidence dips. A less charitable view is that BA's premium product is not up to scratch, and is losing market share. The company believes not. Mr Ayling cannot afford to get this wrong.

Pharmaceuticals

Investors in drugs companies need a regular injection of reassurance that historic price/earnings ratios of 20-50 are not fanciful. One such shot has come from the UK government's ruling on Viagra, Pfizer's impotency treatment. In allowing family doctors to prescribe the drug privately in less serious cases, it opens the door for sufferers to pay for a drug they want.

The decision acknowledges there is pent-up demand that a state-funded health service cannot afford to satisfy. This is borne out by national variations in prescription drug sales. In the US annual spending is running at $73bn – nearly twice as much per head as in the UK. The US market is also growing at 11 per cent, twice as rapidly as Europe.

But even without the advertising that stimulates US demand, an ageing and increasingly internet-literate European population will demand better access to the latest – more expensive – drugs. In Germany, for instance, the system already allows top-up payments. Such co-payment is particularly relevant to drugs that treat less severe ailments – such as Viagra or Glaxo Wellcome's forthcoming influenza treatment. Political barriers remain, but anything that makes patient purchases of drugs easier will hasten double-digit growth in Europe. Glaxo still looks expensive – on a p/e four times that of the FTSE SmallCap index – but less inexplicably so.

Germany tries to introduce limits on EU farm spending

By Peter Norman in Brussels

Germany, holder of the European Union's six months rotating presidency, will today press for foreign and finance ministers to set strict limits on farm spending in the years to 2006, in an effort to force reform of the EU's expensive common agricultural policy.

Joschka Fischer, the German foreign minister, will propose a "top down" system in which agriculture ministers would be told to hold farm spending to a ceiling lower than present guidelines. The aim would be to stabilise CAP outlays at current levels until 2006.

The German government believes that it is only by imposing strict controls over the EU's traditionally independent farm ministers that the Agenda 2000 negotiation for reform of the EU's budget, farm spending and structural funds can be brought to a successful conclusion at a special summit of EU leaders planned for March 24-25.

Agreement on Agenda 2000 is seen as essential for the EU to have the financial capacity to absorb new members from eastern Europe. Although it lacks precise figures, today's German proposal will mark the first concrete step in its negotiations on Agenda 2000 and follows a hesitant start to the new Bonn government's EU presidency. No agreement on the German plan is expected immediately, but pressure from Bonn for a political accord on the Agenda 2000 package will grow in coming weeks.

Joschka Fischer: 'top down' system

The German government has admitted there could be other ways of restricting farm spending, which accounts for just under 50 per cent of the EU's annual spending of about €85bn ($99bn) even though agriculture produces less than 2 per cent of the EU's gross domestic product. But it argues the alternatives would be less rigorous and more complicated.

The Bonn government also hopes for progress today on reform of the EU's structural funds, which account for about 35 per cent of annual spending.

After protracted wrangling among member states at the level of EU ambassadors, Mr Fischer will propose that 4 per cent of the structural funds should be used for a "performance reserve" from 2000 to 2006.

The European Commission has been keen to incorporate such a reserve to reward worthy projects with the aim of improving the quality of spending on Europe's poorer regions. Its original proposal was for the performance reserve of around 10 per cent of structural funds.

Republicans fight move to bring swift end to impeachment trial

By Mark Suzman in Washington

Republicans yesterday sought to head off the growing momentum for an early end to President Bill Clinton's impeachment trial, as prosecutors prepared to interview Monica Lewinsky in an attempt to reinvigorate their case.

After White House lawyers made a strong case for the defence last week, Robert Byrd, a senior Democratic senator, said he would today seek to have the trial dismissed.

But leading Republican senators indicated they would reject such a motion and press ahead with a plan to consider hearing from witnesses.

The 13 Republican trial "managers" from the House of Representatives were last night preparing to hold informal discussions with Ms Lewinsky after she had been forced by a federal judge to co-operate with a request from Kenneth Starr, the independent counsel, to agree to the meeting.

Democrats dismissed the move as a futile attempt to breathe life into the scandal, arguing it was already clear prosecutors had failed to persuade the required two-thirds of senators that Mr Clinton should be convicted.

Carl Levin, a Democratic senator from Michigan, warned that the intervention by Mr Starr had caused "tremendous strain" to bipartisan co-operation.

"Calling witnesses at this point would extend this trial, probably for months," he said on NBC television.

But while House managers admitted the Senate was leaning away from convicting Mr Clinton, they insisted witnesses were needed to resolve factual disputes over the charges that the president committed perjury and obstructed justice in covering up his affair with Ms Lewinsky.

Asa Hutchinson, one of the key prosecutors, told Fox news that the managers had tentatively narrowed their list of proposed witnesses to five: Ms Lewinsky, Betty Currie, the president's personal secretary, Vernon Jordan, a friend of Mr Clinton, and John Podesta and Sidney Blumenthal, two White House aides.

He said the interview with Ms Lewinsky would enable them to judge her demeanour as a witness and explain better to the Senate what new information she might be able to provide by testifying.

However, while Republican senators appear united in on their opposition to a quick dismissal of the case, several remain ambivalent about the issue of witnesses. Olympia Snowe of Maine said on NBC she had already heard sufficient evidence to make up her mind on the charges. Richard Shelby of Alabama told ABC that live testimony should be heard only if something new could be added.

However, Gordon Smith, a Republican senator from Oregon, said: "The need for witnesses is diminishing, it is not eliminated."

With Republicans enjoying a 55-45 majority, the Democrats would need only six defectors to defeat the request for witnesses and move to closing arguments and a final vote.

CONTENTS

Nigerian leader General Abdulsalami Abubakar, whose government has ended the country's 10-year rift with the IMF. Page 3 Picture: AP

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Surveys: details of forthcoming editorial surveys.
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FT WEATHER GUIDE

Europe today

Denmark will have rain, while southern Norway and southern Sweden will have heavy snow. Northern parts of Scandinavia will have sunny spells and scattered snow showers. The Low Countries and Germany will have wind and rain, but Austria and Switzerland will be mainly dry. Northern France will be wet, but elsewhere it will be dry with the best of the sunshine in the south. The Mediterranean will be mostly dry but there will be thundery downpours around Malta.

Five-day forecast

North-west Europe will have a cool, showery spell before conditions become mild and cloudy. Cold air in the Mediterranean will lead to central and eastern parts turning cooler and very showery with thunderstorms. Scandinavia will have sun and showers, then more persistent rain and snow later in the week.

Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Fair	24
Accra	Fair	31
Algiers	Fair	16
Amsterdam	Rain	13
Athens	Sun	15
Atlanta	Sun	21
B. Aires	Sun	28
B.ham	Fair	9
Bangkok	Sun	34
Barcelona	Sun	14
Beijing	Sun	8
Belfast	Hail	6
Belgrade	Fair	0
Berlin	Rain	10
Bermuda	Shower	24
Bogota	Fair	19
Bombay	Sun	30
Brussels	Rain	14
Budapest	Fair	4
C.hagen	Rain	8
Cairo	Fair	19
Caracas	Fair	28
Cardiff	Fair	10
Casablanca	Sun	17
Chicago	Sun	1
Cologne	Rain	14
Dakar	Sun	23
Dallas	Sun	25
Delhi	Sun	23
Dubai	Fair	24
Dublin	Shower	8
Dubrovnik	Sun	5
Edinburgh	Fair	6
Faro	Sun	18
Frankfurt	Rain	12
Geneva	Fair	7
Gibraltar	Shower	16
Glasgow	Shower	7
Hamburg	Rain	12
Helsinki	Snow	-3
Hong Kong	Sun	24
Honolulu	Fair	26
Istanbul	Sun	9
Jakarta	Shower	31
Jersey	Rain	11
Johannesburg	Fair	29
Karachi	Sun	28
Kuwait	Fair	18
L. Angeles	Rain	14
Las Palmas	Fair	18
Lima	Fair	25
Lisbon	Sun	15
London	Rain	12
Lux.bourg	Fair	10
Lyon	Fair	12
Madeira	Cloudy	17
Madrid	Sun	14
Majorca	Sun	16
Malta	Shower	14
Manchester	Shower	9
Manila	Fair	31
Melbourne	Sun	38
Mexico City	Fair	23
Miami	Sun	26
Milan	Fair	9
Montreal	Fair	-5
Moscow	Snow	-1
Munich	Fair	11
Nairobi	Sun	28
Naples	Sun	14
Nassau	Sun	27
New York	Fair	5
Nice	Sun	12
Nicosia	Fair	15
Oslo	Snow	0
Paris	Rain	14
Perth	Thunder	39
Prague	Fair	8
Rangoon	Sun	35
Reykjavik	Snow	1
Rio	Fair	30
Rome	Fair	13
S. Frsco	Fair	18
Seoul	Shower	8
Singapore	Thunder	29
Stockholm	Snow	2
Strasbourg	Rain	11
Sydney	Fair	25
Tangier	Sun	17
Tel Aviv	Fair	19
Tokyo	Rain	13
Toronto	Snow	0
Vancouver	Sleet	4
Venice	Sun	6
Vienna	Fair	9
Warsaw	Cloudy	5
Washington	Sun	10
Wellington	Shower	19
Winnipeg	Fair	-7
Zurich	Fair	9

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FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1999 MONDAY JANUARY 25 1999 Week 4

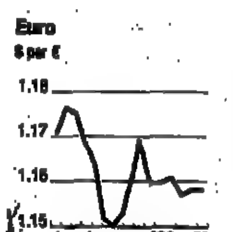
INSIDE

UBS ready to appoint new chairman
In 1998 UBS, Europe's biggest bank, lost its chairman and three top executives, posted a SFr911m ($659m) third-quarter net loss and was stripped of its triple A credit rating by Moody's. This week it is likely to appoint Alex Krauer its new chairman. Page 19

Air France aims to raise franchises
Air France, the French national carrier, aims to triple the number of passengers carried under franchise agreements in the next two years. Air France, which last year transported 600,000 passengers under franchise, expects to raise this to 1.2m this year and is working towards 2m in the year to March 31 2000. Page 16

Thai banks lose less than expected
Three of Thailand's leading banks – Bank of Ayudhya, Thai Military Bank, and state-owned Krung Thai Bank – reported big losses for 1998, but they were smaller than expected as the banks met provisioning requirements to avoid being forced to ask for government assistance in raising new capital. Page 18

Strong data may push dollar up



The release on Friday, of the preliminary estimate of US gross domestic product growth for the fourth quarter of 1998 will show whether the economy has continued to boom. Surging consumption and investment are likely to have resulted in a rise in GDP, which may put pressure on the Federal Reserve to raise interest rates, which could in turn push up the dollar in the short term. Currencies, Page 22

Chávez must convince the markets
The Caracas stock market's benchmark IBC index has fallen by 30 per cent since early December. Hugo Chávez, set to take office as president of Venezuela next week, has given indications of heading in the right direction but must show commitment to market-oriented policies. Emerging Market Focus, Page 24

Unibanco's profits defy volatility
Unibanco, Brazil's third largest bank, posted a rise of 5.4 per cent in net profits to R$454.1m ($375.3m) last year, despite growing volatility in Brazil. Earnings grew mainly as the bank increased its portfolio of high-yielding government securities and reduced lending. Page 16

Gilat to raise £275m on Wall Street
Gilat Satellite Networks, the Israeli manufacturer of satellite ground stations, hopes to raise $275m on Nasdaq, the US market. At Friday's share price, the issue, which would be its third and biggest equity offering on Wall Street, would value Gilat at about $1bn. Page 18

3i in takeover talks with Electra
3i Group, the UK's largest venture capital fund, is negotiating the takeover of rival Electra Investment Trust. 3i hopes to finance the deal with a mixture of cash and shares. Page 14

FT GUIDE TO THE WEEK

– full listings Page 32

WTO MEETS TO DEBATE BANANA WAR
The dispute settlement body of the World Trade Organisation meets today in Geneva to debate the banana trade war that has broken out between the US and the European Union.

CAP PROPOSALS PUT TO THE VOTE
On Wednesday, the European parliament will vote in Brussels on European Commission proposals for the reform of the Common Agricultural Policy. Other debate will include prospects for EU-wide co-operation.

WORLD ECONOMIC FORUM MEETS
Thursday sees the start of the World Economic Forum. Senior business and political figures will meet in Davos over the following week to discuss the state of world affairs. Kofi Annan, United Nations secretary-general, will visit.

COMPANIES IN THIS ISSUE

MARKET STATISTICS

Dasa head gloomy over pan-European defence

Bischoff warning follows BAe acquisition of Marconi

By Ralph Atkins in Bonn

Germany's DaimlerChrysler Aerospace (Dasa) has warned that the creation of a pan-European aerospace and defence company might be postponed indefinitely.

And it said other national companies could follow Dasa's example and contemplate a "transatlantic alternative".

The comments by Manfred Bischoff, Dasa chief executive, follow last week's acquisition by the UK's British Aerospace of Marconi, the defence division of General Electric Company. Before the Marconi acquisition, BAe had been working on a merger with Dasa.

Mr Bischoff also warned that the BAe/Marconi deal, which creates the world's third largest defence company by sales, had undermined the restructuring of Airbus, the European civilian aircraft manufacturer, into a single company.

He argued France would be reluctant to sanction further steps to integrate Airbus after the British decision to "go it alone" had left the future of the European air industry in confusion.

The Dasa chairman's remarks will set back hopes in Bonn and London that the door is open to resuscitating the Dasa/BAe link as part of a wider European solution. BAe says plans for European integration remain intact. But Mr Bischoff said the goal of a pan-European defence company would now be "extremely difficult" to achieve.

Asked in Der Spiegel, the German news magazine, whether the goal could have been postponed for ever, he replied: "I can't rule that out."

Possible US partners, Mr Bischoff said, included Raytheon, Lockheed Martin and Northrop Grumman. Last night Dasa refused to comment on the content of possible talks with the US companies but indicated BAe's decision to acquire Marconi had intensified the group's strategic deliberations.

However, Mr Bischoff raised the possibility of a link-up between Dasa and French companies Thomson-CSF or Aerospatiale. Last week Lionel Jospin, French prime minister, spoke of a Franco-German aeronautics rapprochement. Mr Bischoff said talks with the French had not been neglected during Dasa's merger negotiations with BAe. "Now it is clear these talks have received a new momentum," he said.

Mr Bischoff confirmed that BAe/Dasa talks collapsed because of differences over the management structure. He said Dasa wanted "equal rights" in any European solution.

With BAe/Marconi a done deal, attention among defence industry observers has switched to the planned merger between state-controlled Aerospatiale and Lagardère's Matra defence interests.

Top-level talks between Lagardère and the French government were said late last week to be in the final stages.

Manfred Bischoff: 'can't rule out' plan's indefinite postponement

Scania prepares to oppose likely bid from Volvo

By Tim Burt in Stockholm

Senior managers at Scania, the Swedish heavy truck manufacturer, have begun preparing a detailed defence against a possible takeover bid from Swedish automotive rival Volvo, which values the business at SKr70bn ($8.8bn) to SKr75bn.

This price – equivalent to SKr350 to SKr375 a share – could prove an obstacle to a deal sought by Volvo to strengthen its position in the rapidly consolidating automotive industry.

Volvo could not finance the purchase from its cash reserves. There has been mounting speculation that it would have to fund it through a partial or outright disposal of its car division.

Scania's shares closed down SKr3 at SKr230 on Friday, equivalent to a market capitalisation of SKr46bn.

The defensive review follows Volvo's SKr5.2bn acquisition of a near 13 per cent stake in Scania this month. Before Volvo's share acquisition, the stock was trading below its 1996 flotation price of SKr180 a share.

Scania's board – controlled by Investor, the main holding company for Sweden's Wallenberg business empire – has asked the management team to explore strategic options promising better synergies and potential sales growth than a merger with Volvo's heavy trucks division.

Volvo has told Investor that it wants to buy Scania. But they have failed to agree a price or structure for the deal.

Scania's management, meanwhile, has warned that a merger with Volvo would promise few synergies in the near term. Both companies have recently launched heavy truck platforms with a 12 to 15-year product cycle.

"There would be few genuine product synergies or component sharing for a decade," said one official. Scania managers also predicted difficulties in merging dealership networks, dominated by independent franchise operators in Europe.

If the companies were merged, moreover, Scania predicts the eventual synergies would result in up to 12,000 jobs losses, of which three-quarters would be in Sweden.

Estonia to sell telecoms stake

By Vincent Boland and Matej Vipotnik

The first international equity offering this year from eastern Europe gets under way today when the Estonian government begins selling a stake of nearly 24 per cent in the country's national telecommunications operator.

The sale of Estonian Telecom, which will raise up to $237m based on an indicative price range of EK67/85 a share set at the weekend, is being closely watched as a barometer of appetite for emerging market stocks in the wake of Brazil's currency crisis.

It is by far the biggest initial public offering from the Baltic countries and reinforces Estonia's lead over its rivals, Latvia and Lithuania, in the battle for foreign investment.

With a market capitalisation of up to EK11.7bn (about $865m) if priced at the top of the range, Estonian Telecom will also be the region's biggest public company and will have a listing on the London stock exchange as well as in Tallinn. International investors will be offered global depository receipts in the company, which have been priced at $14.88 to $18.89 each. Each GDR represents three ordinary shares. The price range is higher than anticipated, reflecting bullish analysts' reports on Estonian Telecom's growth prospects.

The international tranche of the IPO is being lead managed by Nomura and ABN Amro Rothschild. Union Bank of Estonia is selling shares to local investors. A tranche is being targeted at retail buyers. The banks' fees for the transaction are believed to be between 2.25 and 2.5 per cent of the value of the deal.

The listing coincides with the completion of a complex restructuring at Estonian Telecom, advised by NM Rothschild, that will leave its two strategic shareholders, Telia of Sweden and Sonera of Finland, with a combined 49 per cent stake. The state is selling 23.72 per cent to domestic and international investors, and will retain 27.28 per cent.

US FINANCIAL SERVICES GROUP MAKES DEAL WITH LTCB TRUSTEES

GE Capital in $6.9bn Japan Leasing move

By Paul Abrahams in Tokyo

GE Capital, the financial services subsidiary of US group General Electric, has acquired the equipment and auto leasing operations of Japan Leasing for about Y800bn ($6.9bn).

The acquisition is the largest ever by a foreign buyer in Japan.

Christopher Richmond, senior vice-president at GE Capital, said his ambition was to overtake Orion Corp, the market leader in Japanese leasing.

The move follows a series of deals by GE Capital aimed at strengthening its position in the country's rapidly deregulating financial markets.

Last year, it set up a joint-venture with Toho Mutual Life Insurance, and invested in Lake, an Osaka-based consumer credit company. It also acquired Nissan Finance, a subsidiary of Nissan, the motor group. GE Capital already has $7bn of assets generating revenues in Japan.


Ambition: Christopher Richmond

The disposal represents the latest rationalisation of Japan's banking industry. The Japan Leasing businesses were sold by the trustees of Long-Term Credit Bank of Japan.

LTCB was nationalised in October because of huge bad debts, many of which were in its subsidiary Japan Leasing. The subsidiary failed with more than Y2,000bn of debt during September in Japan's largest ever bankruptcy, triggered by badly performing property-related loans.

The trustees, advised by US investment bank Goldman Sachs, said the proceeds from the deal would be used to pay down Japan Leasing's debts.

Japan Leasing has Y790bn of leased equipment assets. Japan Lease Auto is the second biggest leasing company in Japan, with Y130bn in assets and 140,000 vehicles under management.

GE will also acquire Japan Leasing's infrastructure, including its sales network, customer service centres and back operations.

The deal should be completed next month. GE said it expected to hire about 800 of Japan Leasing's 1,000 staff, as well as all of Japan Leasing Auto's 500 workforce.

It was also reported that Fuji Bank may ask the government for Y1,000bn of public funds.

EDWARD LUCE
GLOBAL INVESTOR

Brazil's burning fuse

Many investors have taken comfort from the fact that the financial impact of the Brazilian devaluation 10 days ago has been less dramatic than it might have been. In contrast to the aftermath of the Russian debt default last August or the devaluation of the Thai baht the previous July, there have been few fireworks in the global financial markets.

True, emerging market bonds and stocks have been affected, with average bond spreads widening by about 250 basis points over Treasuries and stock indices dropping by 10 per cent or more. But this is mild in comparison to the meltdown last August and in late 1997 when stock markets lost up to 80 per cent of their capitalisation and bond spreads more than quadrupled. Is this cause for optimism? Unfortunately, quite the reverse.

The financial dimension of the emerging market crisis has largely been played out. Most in the global investment industry had already anticipated the inevitability of the devaluation of the Brazilian Real and had consequently minimised their exposure to emerging market securities. The huge capital outflow from Brazil prior to the devaluation can best be described as an expatriation of funds by domestic investors rather than a repatriation of capital by foreign investors. In contrast to their heavy speculation in Asia and Russia, western hedge funds and other leveraged investors played virtually no role in Brazil's devaluation. As such, the financial contagion of the Brazil crisis has so far been limited. Hedge funds are not selling positions in unrelated markets to meet growing margin calls resulting from losses in Brazil (as they were compelled to do after Russia).

There is thus little comfort to be derived from the muted response of the markets to the Brazil crisis. Instead, investors should be evaluating the impact of the crisis in a different light. The collapse of the Real, which has lost more than 30 per cent of its value since January 14, will have a profound effect on the economies of its Latin American neighbours, notably Argentina and Uruguay, which send more than 30 per cent of their exports to Brazil.

This in turn will hit the US economy, which sends more than a fifth of its exports to Latin America. This is in striking contrast to Russia, which only took about 1 per cent of US exports prior to the default last August. The crisis is therefore entering a more conventional phase: expect fewer pyrotechnics in the financial markets, but watch the slow fuse burning its way into the real economy.

What does this mean for global portfolio investors? For western bond markets, it can only be good news. Yields on US and German government bonds will probably fall further as the deflationary impact of lower commodity and manufactured goods prices feeds through to western retail price indices. But for everyone else, including the Panglossian US equity investor, the Brazil devaluation must eventually be bad news.

This is particularly unfortunate for South Korea and Thailand, both of which appear to be turning the corner after 18 months of severe economic contraction.

Last week Fitch IBCA, the rating agency, restored Korea's investment grade status on its sovereign bonds. But in spite of the fact that the Korean and Thai stock markets are trading 26 per cent and 33 per cent below their June 1997 levels, there is little immediate scope for an upside. The benign effects of the appreciation of the yen against the dollar, which improves the competitiveness of Asian exports to Japan, is likely to be neutralised by the price effects of the devaluation in Brazil and the increased competitiveness of Latin American exports.

Ominously, most Asian bourses fell sharply at the end of last week on renewed fears about China's willingness to maintain its exchange rate against the US dollar. China will probably not devalue.

But the fact that the markets once again perceive the Chinese renminbi as wobbly indicates that China's export growth is expected to slow further. And what is true for China is doubly true for most other emerging markets. It will take skill and a lot of luck for the world's leaders to prevent this economic crisis from intensifying.

Federal seeks LVA talks

From Andrew Edgecliffe-Johnson

Federal-Mogul, the US car parts group, is understood to have requested talks with its UK rival LucasVarity about a possible takeover. LucasVarity, with a current market value of £3bn, is the larger of the two groups, but Dick Snell, Federal-Mogul's chairman, is said to be confident that it could afford a full-blown takeover rather than a no-premium merger.

Any offer may include Federal-Mogul shares, which have performed strongly in the past 18 months despite the debts which Mr Snell has taken on to make three big acquisitions. LucasVarity's UK shareholders showed their reluctance to hold US paper by blocking its proposal to change domicile late last year, but the majority of its investors are American.

Federal-Mogul is believed to be eager to establish how far LucasVarity has progressed in talks with other automotive groups, particularly TRW of the US, with which LucasVarity already has a joint venture.

Victor Rice, LucasVarity's chief executive, has told investors to expect news of a strategic review with its next results on March 25. Analysts believe this may include a merger of the automotive business, but talk of a spin-off of the aerospace division is understood to be wide of the mark.

Investment bankers and analysts are focusing on the boardroom relationship between Mr Rice and Ed Wallis, the chairman of PowerGen who took over as chairman of LucasVarity last year. Some say that Mr Wallis is keener on a takeover, whereas Mr Rice is eager to negotiate a merger of equals, but people familiar with the pair insist that the two are united on strategy.

LucasVarity was formed by the merger of Lucas Industries and Varity Corporation in 1996. The pedestrian performance of its shares and accusations that the deal was a takeover by Varity, have led analysts to say former Lucas Industries shareholders would not stomach a second no-premium deal. Mr Rice has made no secret of his frustration with the UK market, pointing to the high rating given to Federal-Mogul's shares to show that the UK undervalues automotive components groups.

Long fight for P&S now inevitable

By Alan Cane

A long drawn-out battle for Portsmouth & Sunderland Newspapers now seems inevitable after the regional newspaper group's board decided yesterday to warn shareholders against accepting a £16 a share tender offer for 10 per cent of the company from Johnston Press.

It said other potential bidders had emerged since Friday, when Johnston, whose press holdings include the Halifax Courier and the Peterborough Evening Telegraph, published its tender offer, a 35 per cent premium to the market.

Johnston has already built up a 14.99 per cent stake in P&S. Earlier negotiations which would have led to the acquisition of P&S by Johnston were terminated last year, when the two companies failed to agree a price.

Charles Brims, P&S chief executive said yesterday that the company did not need to sell out and was not for sale.

A letter to be sent to shareholders today signed by Sir Stephen Waley-Cohen, P&S chairman, will accuse Johnston of "smash and grab" tactics designed to "bounce" shareholders into accepting its tender offer.

The letter will say that the Johnson bid does not represent the true value of the company, adding: "The P&S board would recommend an offer from a party which did reflect true value".

Mr Brims would not be drawn on what he considered fair value for the company, except to say the Johnston offer was "a long way off". Neither would he identify the new prospective bidders. It is believed that two approaches have been made, however, one by a newspaper group, the other from a financial investor.

Analysts have suggested that Newsquest and News Communications and Media, both newspaper groups with publishing interests adjacent to P&S's south coast newspapers, could be interested.

Sir Stephen's letter to shareholders will point out that the Johnson tender offer is an unusual way of initiating a full bid and that it allows them only five days in which to decide whether or not to sell their shares.

P&S is advised by Charterhouse; Johnston by Rothschild.

Vaux breweries sale near

By David Blackwell

Frank Nicholson (left) with his elder brother Sir Paul Ashley Ashwood

Vaux, the pubs and hotels group, is close to completing the sale of its breweries operation and could announce a deal this week ahead of its annual meeting on Friday.

Front runner to buy the two breweries, 350 tenanted pubs and wholesaling operations put on the block by the Sunderland-based group in September is Frank Nicholson, younger brother of Sir Paul Nicholson, the group's non-executive chairman. Mr Nicholson is leading a management buy-out bid thought to be worth between £75m and £100m.

Last month, Sir Paul made it clear that he wanted to keep the breweries open – unless it could be convincingly demonstrated that not to do so would raise many millions of pounds more. Martin Grant, the chief executive who launched a strategic review after joining in June, said then that he expected to complete the sale in January or February.

News that the breweries were up for sale prompted Sunderland's two MPs to write to Peter Mandelson, then industry secretary, calling for him to ensure the brewery stayed in business. They said they could not overstate the anger in the area if the breweries were sold to a rival brewer and closed down, losing 600 jobs in Sunderland and 150 in Sheffield.

Local support for Frank Nicholson, managing director of the brewing and pubs division of the group, is strong. In spite of brewing overcapacity in the UK, his team believes it can create a successful independent business by focusing on quality products and marketing.

Brewing at its Sunderland site dates back to 1875, but the brewery has been modernised, soaking up £11m of investment in the past 10 years. It produces beers such as Samson and Lambtons and, importantly in view of drinking trends, also Carling Black Label and Heineken lager under licence from Bass and Whitbread.

HK share listing postponed

By Rahul Jacob in Hong Kong

Volatility on the Hong Kong stock market has forced a mainland Chinese company to postpone plans for a HK$1.7bn (£130m) listing.

The move, by the Heilongjiang Agriculture Company, is the latest sign of widespread disenchantment with mainland companies following a stream of disappointing earnings figures.

The offering was seen as a bellwether of investor sentiment, because it would have been the first listing this year of shares in mainland enterprises listed on the Hong Kong market, or "H shares". Heilongjiang Agriculture Company said it had to put off the offering "due to material changes in market conditions".

Last week, concerns about the debts of Chinese companies weighed heavily on Hong Kong's Hang Seng index, dragging it down 4 per cent. Comments by Barton Biggs, a strategist at Morgan Stanley Dean Witter, also rattled investors when he said Brazil's devaluation would lead to further instability in Asia.

The larger backdrop for the listing was equally unpromising. Ever since Guangdong International and Investment Corporation (GITIC), a government backed investment company with debts of US$4.3bn, filed for bankruptcy earlier this month, investors and bankers have been unnerved by reports of Chinese companies with cashflow problems and large debts.

ING Barings, the global coordinator for the IPO, and Heilongjiang started presentations to potential investors on January 11.

Gilts outshine shares in 1990s

By James Mackintosh

Gilts have outperformed UK shares since the beginning of the decade, despite a long-running equities bull market. The strong returns from gilts – highlighted in the influential Barclays Capital Equity-Gilt study to be published next month – could prompt some institutions to reconsider their investment strategy.

Kevin Adams, bond analyst at Barclays Capital and compiler of the report, said: "The environment is changing. The disinflationary shocks we have had in the past year are the opposite of the inflationary shocks we saw in the 1970s. There is a good chance that bonds will outperform again in 1999."

Last year's total return – capital gains plus income – on gilts was 21.6 per cent after allowing for inflation, against 10.6 per cent on equities. Shares were hit by the Russian devaluation in late summer and ended the year only marginally higher than they began it.

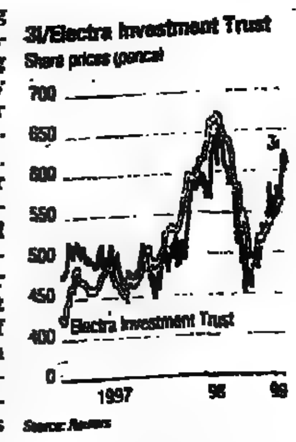
Since the start of the 1990s, gilts with more than 10 years to run have given investors a total return of 243.2 per cent, against 229.1 per cent from the FTSE All-Share index.

Mr Adams said many fundamentals had changed in the decade, all in favour of gilts. He said the prospect of low and falling inflation was likely to buoy prices over the next year. The shock of collapsing currencies in Asia as was good for bonds, which tend to fall in price when inflation is expected.

Mr Adams said the shortage of gilts resulting from lower government borrowing plans would support prices. Pension funds were investing more in gilts because of tax changes to dividends.

COMMENT

3i/Electra



3i, one of the few remaining champions of smaller companies, appears to be following a "big is beautiful" strategy for itself. A £1bn-plus bid for Electra Investment Trust certainly makes strategic sense. Electra had focused on far fewer, but bigger, investments. Buying it would strengthen 3i's hand in continental Europe and in larger venture capital deals. It would also bring a culture of more active involvement in companies following the initial investment. 3i's volume-driven, hands-off style has laid it open to the accusation that it undermanages its portfolio. 3i has also timed its approach well. Despite its exposure to the UK's languishing small company sector, its shares have recovered much of the ground lost in the middle of last year. Electra's bounce has been muted. This has left 3i trading at a 17 per cent premium to its September 30 net asset value per share, compared with a 17 per cent discount for Electra. The move can be seen as another case of a FTSE 100 company using its higher rating to make a bid, partly in paper, for an undervalued smaller rival.

But is big really beautiful in the investment trust world? If 3i is just planning to scoop up another portfolio to administer through its extensive network, too many of Electra's human assets may disappear. This at least makes talk of a hostile bid look wide of the mark. But bearing in mind Electra's conviction about the potential of its portfolio, buying agreement will not come cheaply.

LucasVarity

It is about time a hostile bid broke out for LucasVarity. The company needs to defend its record under Victor Rice, which is not bad. Both profit margins and the order book have been built up. It has strong positions in its chosen autocomponents markets, and an aerospace division that would be attractive to rivals. The group is clearly undervalued at £3bn, only two-thirds of its sales.

A hostile bid from Federal Mogul, with a paper element, would invite some timely scrutiny of that hyperactive company. It may well make industrial sense to put the old Lucas together with T&N, as the latter's chairman suggested in 1994. But that only confirms that T&N's relatively new owner should offer a fatter premium than the rumoured 20 per cent, if it is really interested.

3i in talks to take over Electra

By James Mackintosh

3i Group, the UK's largest venture capital fund, is negotiating the takeover of its main rival, Electra Investment Trust, in an attempt to create a dominant listed European venture capital business with assets of more than £4.4bn ($7.3bn)

3i yesterday confirmed discussions were taking place but refused to give further details.

It is understood the groups are divided over both the price 3i should pay and the value of Electra's investments in unquoted companies. Electra's joint venture with Fleming, the investment bank, could also prove a sticking point, although it has not yet been discussed in detail.

3i hopes to pay with a mixture of cash and shares and snap up Electra at a substantial discount to the value of its assets, but people close to Electra insist its board wants a premium to the net asset value. "It is not the principle of independence it is the principle of price," one said. "The idea that you buy something for less than its net assets is something the board, and no doubt the shareholders, would have a problem with."

Electra shares are at a discount of about 17 per cent to the last official NAV calculation, or 22 per cent to the latest estimate of 729p per share.

3i dismisses this estimate as too high. However, observers poured cold water on suggestions that 3i might mount a hostile bid if the negotiations collapse.

The lure for 3i is Electra's portfolio, which at about £1bn is a third the size of its own. "The combination would have more financial muscle, a better credit rating and a better ability to compete for projects," an observer said.

Brian Larcombe, chief executive of 3i, is also interested in Electra's international network. The European offices would strengthen 3i's position in a market it regards as an "attractive environment" for venture capital.

Electra's US operation would give 3i a presence in North America after several years absence.

However, Mr Larcombe is believed to view Electra Fleming, the company half-owned by Flemings which manages Electra's funds, as a "freebie" that is far less important than the portfolio and overseas operations.

Executives close to Electra Fleming said executives are thought to oppose to the deal. "They are cutting up rough," one said. "Electra Fleming do not necessarily want to have their toy taken away."

Iain Scouller, investment trust analyst at Warburg Dillon Read, said if negotiations failed and the bid turned hostile it would be a disaster. "It is a people business and you have got to get agreement," he said. However, he said the bid made several smaller venture capital investment trusts look vulnerable.

CONSTRUCTION EQUIPMENT SWEDISH GROUP TO USE SOUTH KOREAN PLANT AS HUB

Volvo arm targets SE Asia

By Peter Marsh

The construction equipment division of Volvo, the Swedish vehicles and industrial company, is pressing ahead with plans to use its newly acquired South Korean factory as a new hub to expand in south-east Asia.

Tryggve Sthen, chief executive of the division, said he was optimistic about demand for excavators and other earth-moving equipment in Korea, China and Indonesia. "There are signs that [demand in] Korea has bottomed out," he said.

Volvo's construction equipment subsidiary had sales last year of more than $2bn, making it one of the world's biggest five makers of earthmoving equipment.

Mr Sthen's comments confirm recent reports that financial conditions in south-east Asia may be starting to stabilise after the economic turmoil of the past 18 months.

Last year Volvo agreed to paid about $500m for the construction machine operations of Samsung Heavy Industries, the Korea machinery maker, giving the Swedish company its first manufacturing base for this kind of equipment in Asia.

Tryggve Sthen: signs that demand in Korea has bottomed out

In recent weeks Volvo has been the subject of speculation over its future following a decision by the company to discuss options for merging its car subsidiary, possibly with a company such as Fiat.

It is thought, however, that Volvo would want to keep its construction machinery operations, which are significantly more profitable than its car division.

Over the past 18 months, demand for construction machines in south-east Asia has slumped as a results of cuts in infrastructure developments. But Mr Sthen said observers "might be surprised" at the promising prospects in some east Asian countries as economic conditions eased.

Volvo's plant in Changwon, Korea, which it acquired in the Samsung deal, is to become the centre of Volvo's worldwide excavator manufacturing and marketing operations, a role previously left to one of its Swedish factories.

The Changwon site will also start, probably later this year, to manufacture for Asian customers Volvo's articulated haulers or dump-trucks – of which Volvo is the world's biggest producer and which it makes now in Sweden, Brazil and the US.

Other big producers of these trucks – which weigh up to 40 tonnes and are used in road construction and mining – include Caterpillar and Terex, of the US, and Japan's Komatsu. Caterpillar and Komatsu are the two biggest makers worldwide of earthmoving machinery.

Mr Sthen said it was too soon to say how many of these trucks would be turned out in the Changwon site. He said the plans underlined Volvo's keenness to globalise its production.

"All our products could eventually be made in in the Korean plant for local [Asian] markets," he said.

During the 1990s, Volvo's construction equipment machine division has also bought businesses in Germany, France and Canada.

US group attacks cheap steel imports

By Nikki Tait in Chicago

USX-US Steel, the largest US steelmaker, has attacked on the Clinton administration's response to the recent flood of cheap steel imports, calling it "extremely disappointing" and warning that "extreme hardship" was being suffered by the industry, employees and communities in steelmaking areas.

The comments came as the company reported halved after-tax profits in the final three months of 1998, at $76m compared with $152m a year earlier. That left USX-US Steel posting a fall in profits for the full-year from $452m in 1997 to $364m in 1998.

Stripping out special items, the company said underlying profits were down from $141m to $59m in the final quarter, with shipments falling by 21 per cent, from 3m net tons to 2.3m net tons. The company blamed "a dramatic increase in imported steel" and also the decline in demand for tubular products.

The big integrated steelmaker added that operating levels had been cut to 76 per cent of raw steel capability, from 99 per cent in the final three months of 1997.

"The flood of imports caused US Steel to curtail production to less efficient levels at all locations in the fourth quarter", said Thomas Usher, chairman. Among the charges taken by USX-US Steel in the final quarter was the cost of a voluntary early retirement programme offered to non-union employees and likely to be accepted by about 400 people.

But Mr Usher's sharpest words were addressed to Washington. He said that the White House's response to the steel import problem was "extremely disappointing and fell far short of what will be required to rectify the import crisis".

He added that the company would continue working with the Clinton administration and Congress, in an effort to secure actions "to restore fair trade".

But he added that it was "uncertain" how the import situation might pan out. The problem was far broader than hot-rolled products from Japan, Russia and Brazil – the countries targeted by the industry-labour coalition, which filed an important trade complaint last September – and new trade cases would continue to be evaluated, he suggested.

In spite of the sharp profits fall, however, the figures were much better than Wall Street had expected. Analysts' forecasts for fourth-quarter earnings had averaged about 32 cents a share, before special items, compared with the 63 cents that the company delivered.

USX-US Steel shares jumped 12¼ cents to $27¼.

DLJ in Spanish disposal

By Norma Cohen, Property Correspondent

Donaldson, Lufkin & Jenrette, the US-based investment bank, said a joint venture between its real estate banking affiliate, DLJ Real Estate Capital Partners, and Parkes and Company has sold its interest in a Spanish shopping centre, earning it a 213 per cent return on capital.

It said the transaction was the most profitable in the history of the three-year old $680m equity fund.

Separately, the US pension fund, Teachers Insurance and Annuity Fund (TIAA), said it has earmarked some $275m for investments in international property in 1999. It has already invested $350m in the UK.

The moves signal that US investors are stepping up their international holdings of property.

Investors in the fund are mostly US pension funds and endowment funds, as well as several wealthy private individuals.

DLJ is seeking to raise a second fund, of which roughly 20 per cent is expected to be invested in European real estate.

Neil Hasson, managing director, said he believes that countries currently outside the EU member states, such as Poland, Greece, and Hungary offer the most interesting opportunities.

Most Chinese Itics to be restructured

By James Harding in Shanghai

China's state media yesterday offered the strongest signal yet that most of the remaining 239 international trust and investment companies, known as the Itics, will be restructured.

The government-owned China Daily said: "China's trust and investment sector is in the throes of a radical overhaul."

The future of the Itics has been in doubt since the abrupt closure in October of Guangdong International Trust and Investment Corporation (Gitic), the investment arm of the Guangdong provincial government, which filed for bankruptcy earlier this month with debts of $4.37bn, mostly to foreign creditors.

Following Gitic's collapse, international lenders have been in retreat from China risk, reviewing their China portfolios, calling in loans to marginal Chinese borrowers, declining requests for rollovers on outstanding loans and at many banks imposing a halt on new lending to Chinese borrowers.

Yuan Gangming, director of the macroeconomic research centre at the Chinese Academy of Social Sciences, the government think-tank, was quoted yesterday saying: "As the first trust firm to have filed for bankruptcy, Gitic's example might create a precedent for the handling of other insolvent trust firms."

Such comments will give little comfort to international lenders. The scale of foreign loans may be just a small proportion of total borrowing in China, but the level of total international lending to the Itics may be far higher than people originally suspected.

The China Economic Times, another state-owned newspaper, said over the weekend that statistics show that foreign debts at China's Itics account for one-third of China's foreign exchange reserves – about $50bn. This is considerably higher than previous estimates and the newspaper did not explain the calculation.

The prospect of further Itic closures following the Gitic model will also add to the distress of foreign bankers, who have been as alarmed by the handling of the closure as they were shocked by Beijing's abrupt decision to shut down the investment arm of the Guangdong provincial government.

After the government back-tracked this month on its assurances that Gitic's foreign creditors would be the priority for repayment, international bankers have faced up to the prospects of heavy credit losses and taken a dimmer view of lending to Chinese enterprises.

Brazilian bank raises profit despite growing volatility

By John Barham in São Paulo

A good performance last year by Unibanco should help Brazil's third largest bank prepare for a difficult year, as financial markets grapple with a 29 per cent devaluation of the Real and the economy sinks into recession.

Unibanco's net profit rose 5.4 per cent to R$454.1m ($375.3m) last year, despite growing volatility in Brazil as the Asian crisis deepened and Russia defaulted in August. The bank said earnings grew mainly as it increased its portfolio of high-yielding government securities and reduced lending. Unibanco will only publish detailed financial data in early February.

Kevin Beck, analyst at the São Paulo office of Flemings, the London-based investment bank, said: "They were very good results."

Fourth-quarter earnings were substantially higher than most analysts had expected. He said Unibanco "basically shut down lending and put excess liquidity into Treasury securities. This lowered its risk profile".

However, investors have traditionally viewed Unibanco as the weakest of Brazil's big banks, because it is less capitalised and relies more on foreign currency loans than its peers.

The bank says it was well prepared for devaluation. Fernando Sotelino, president of Unibanco's wholesale banking group, said: "We have a very big position in government securities on a dollar basis" that match loans for currency and maturity. Furthermore, a large part of its loan portfolio consisted of dollar-based trade finance operations.

Mr Sotelino said concern over the vulnerability of Unibanco's external loans, which analysts say account for 20 per cent of funding, is misplaced because both the bank and its clients are well hedged. Still, international credit rating agencies say reliance on Brazilian government dollar-linked securities is an "inconsistent" hedging strategy, because of the growing risk of default on these instruments.

Mr Sotelino said Unibanco was not under pressure to refinance maturing foreign loans, since its external borrowing is linked to domestic lending. He said the bank's access to trade finance should be less impaired than its competitors, given its leading role in this sector.

Unibanco has also provisioned heavily for non-performing loans, although its bad loans are lower than those of its peers due to the higher quality of its corporate and individual clients.

Canadian oil groups suffer

By Edward Alden in Toronto

Talisman Energy, one of Canada's largest oil producers, has taken a C$183m (US$120.4m) write-down on its North Sea oil and gas assets, the first of what is expected to be several year-end write-downs in the Canadian oil industry.

Jim Buckee, Talisman chief executive, said the write-down was caused by low oil prices and higher costs, due to the strength of sterling.

Standard & Poor's, the rating agency, has confirmed its triple-B plus rating on Talisman corporate credit and senior unsecured debt, but revised its outlook from stable to negative.

Michelle Daithorne, oil and gas analyst at Standard & Poor's in Toronto, said the revised outlook reflects the continued weakness of oil and gas prices and concern that falling operating earnings may hurt Talisman's ability to fund its exploration programme and replace its reserves.

Many Canadian oil producers face a difficult decision on whether to write down the value of those assets or hope that oil prices will soon rebound. "Any company that has reserves that are largely undeveloped is going to be facing a similar decision at the end of the year," said Robert Gillen, analyst with John S. Herold.

Gulf Canada took a C$465m after-tax charge in the third quarter, primarily related to its ill-timed 1997 acquisition of Stampeder Exploration, the heavy-oil producer. Gulf has also sold most of its North Sea assets to reduce its debt load.

Three of Canada's five largest oil producers all reported sharp declines in fourth-quarter earnings last week.

Petro-Canada, the integrated oil company, saw net earnings drop 75 per cent from the previous year to C$19m, while its earnings for the full year fell 68 per cent.

Cash-flow, which is critical to financing future exploration, fell 34 per cent year-on-year. However, the company said its planned capital expenditure for 1999 would be reduced by only 5 per cent.

Imperial Oil, Canada's largest oil company, reported earnings down by a half in the fourth quarter to C$136m, while earnings at PanCanadian Petroleum were down 21 per cent on the quarter and 55 per cent on the year.

Air France to lift franchises

By David Owen in Paris

Air France aims to triple the number of passengers carried under franchise agreements in the next two years.

According to Jean-Cyril Spinetta, chairman, the French national carrier, which last year transported 600,000 passengers under franchise, expects to raise this to 1.2m this year and is working towards 2m in the year to March 31 2000.

He said that such business was "by definition" profitable because the economic risk is borne by the franchisee. Air France has franchise agreements with Brit Air, Gill Airways, Jersey European and Proteus.

The disclosure came at the start of a week due to see the beginning of pre-marketing for the airline's partial privatisation. Some 20 per cent of Air France shares are expected to be sold in an initial public offering.

Mr Spinetta has indicated that shares worth between FFr3.5bn (€534m, $618m) and FFr4bn (€610m, $706m) were likely to be sold on the market. In addition, Air France employees are to be offered shares representing about 8.5 per cent of the company's capital, with Air France pilots taking up to 12 per cent more through an agreement last year giving them shares in return for what are, in effect, wage cuts.

The state's stake in the airline stands to be diluted this year when BNP, the French bank, can exercise a right to take a 4 to 5 per cent interest in payment for previous loans.

Other investors and employees will be able to convert financial instruments already issued into shares.

According to Mr Spinetta, once all these operations are taken into account, the state's holding in the company could fall to 51-53 per cent.

BNP is valuing the company at €3.7bn ($4.29bn). The group last month posted net attributable first-half profits of FFr1.34bn.

CROSS-BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Vodafone (UK)	AirTouch (US)	Telecoms	$62bn	Outright buy
Repsol (Spain)	YPF (Argentina)	Oil & gas	$2bn	Initial 15%
Olivetti (Italy)/ Mannesmann (Germany)	Cellular Communications International (US)	Telecoms	$1.85bn	Increased offer
Chesapeake (US)	Field Group (UK)	Packaging	$320m	Consolidation
Stagecoach (UK)	Citybus (HK)	Transport	$294m	Terms agreed
Rockwell International (US)	EJA Engineering (UK)	Engineering	$83m	Float shelved
Misys (UK)	C-ATS Software (US)	Computer srvcs	$60m	Unconditional
Parametric Technology (US)	Division (UK)	Computer srvcs	$48m	Recommended
United News & Media (UK)	Audit & Surveys (US)	Business srvcs	$43m	Research boost
Stockton Re (Bermuda)	Crowe Insurance (UK)	Insurance	$17m	Ockham disposal

NEWS DIGEST

PACKAGING

Anglo American offshoot in European acquisition

Mondi Minorco Paper, part of South Africa's Anglo American conglomerate, is to buy Amcor Fibre Packaging Europe, the corrugated packaging group, from Amcor of Australia for up to £152m ($251m). MMP's parent company Minorco has announced. AFP has 15 plants in the UK, where it has a 10 per cent market share, and six in France. MMP will pay £145m cash plus a further amount of up to £7m depending on AFP's performance up to June this year.

MMP said the deal is in line with its strategy of becoming a leading integrated corrugated packaging producer in Europe. It expects the acquisition to enhance its earnings in the short term, "with significant upside potential due to the under-utilised modern plant".

With a workforce of 1,600 and sales of £177m in the year to June 1998, AFP now produces an annual 536m square metres of corrugated board but has the capacity to produce 750m sq m.

"Capital expenditure of £77m has been invested in the business over the last five years, resulting in some of the most modern facilities in Europe, which will enable the business to take advantage of future growth," Minorco said. No redundancies are expected as a result of the deal. **Victor Mallet, Johannesburg**

NETHERLANDS

France Telecom to merge units

France Telecom said on Friday it would merge Dutchtone and Casema, its phone and cable subsidiaries in the Netherlands, into a single holding company to be called the Dutchtone Group.

The French group, which fully owns Casema and 80 per cent of the existing Dutchtone, will take an 86 per cent stake in the new company, which aims to become the second-largest telecoms provider in the Netherlands. ABN Amro and Rabobank, the Dutch banks that each own 10 per cent of Dutchtone, will both have 7 per cent stakes in the new group.

Michel Bon, chairman of France Telecom, told a news conference that his company will invest Fl 4bn (€1.82bn, $2.1bn) in Dutchtone over the next decade, including between Fl 1.3bn and Fl 1.5bn for high-quality networks. The new entity, which will offer mobile-telephony services from January 26, plans to attract between 150,000 and 200,000 customers by the end of 1999 and 1.3m users by 2008. ***Jeremy Gray, Amsterdam***

BANKING

Banesto climbs 29.2%

Banesto, the domestic subsidiary of Spain's Banco Santander, which is to merge with BCH, lifted its 1998 net attributable income by 29.2 per cent to Pta40.1bn (€241m, $279m). Santander's rise to the top of Spanish banking started in 1994, when it took over the troubled Banesto group and made it profitable within three years.

Banesto's strong bottom line was due to a 20.7 per cent rise to Pta56.9bn in fee commission; to lowered provisioning and increased bad loan recoveries; and to tight expenditure control, which marginally reduced costs. Squeezed margins hurt net interest income, which was up by just 1.45 per cent to Pta145.2bn. Trading income was down 36.4 per cent to Pta6.6bn. **Tom Burns, Madrid**

MITSUBISHI CHEMICAL

Japan group in drugs buy

Mitsubishi Chemical, the leading Japanese chemical maker, has announced that it will acquire Tokyo Tanabe, a medium-sized drugs manufacturer, in a deal valuing the company at Y28.5bn ($250m).

The move is the latest example of restructuring in Japan's pharmaceuticals industry, which is struggling against cost-cutting measures introduced by the government. However, the acquisition by a chemicals company *countersthe international trend of separating pharmaceuticals* and chemicals operations. Mitsubishi Chemical already owns 24.3 per cent of Tokyo Tanabe, which last year generated net profits of Y1.462bn on sales of Y43.4bn. **Alexandra Nusbaum, Tokyo**

CZECH REPUBLIC

Four banks vie for CSOB

Four European banks are on the short-list to buy a controlling stake in Ceskoslovenska Obchodni Banka (CSOB), the fourth biggest Czech Republic bank. Deutsche Bank and HypoVereinsbank of Germany, BNP of France and KBC of Belgium have been invited to conduct due diligence and make legally-binding bids for a stake of 51 per cent or more from the state's 66 per cent shareholding.

The deadline for offers is likely to be early April, after the 1998 results have been published, and the former trade bank could be sold by early May.
Robert Anderson, Prague

FUTURES ANALYSTS ARE UNDECIDED ON Y2K RISKS BUT FORWARD CONTRACTS SUGGEST HIGHER INTEREST RATES ARE LIKELY

Investors bet on millennium rise in rates

By Arkady Ostrovsky

While economists argue about the impact of the millennium bomb on the global economy, some investors are already betting on a sharp rise in short-term interest rates in the run-up to next New Year.

The rise in the interest rate curve stems from nervousness that banks may be unwilling to lend before the end of the year, fearing that old computers will not be able to recognise new data, thus causing a credit crunch.

At the same time, surveys have indicated that households around the world are likely to withdraw large sums from their bank accounts, creating a shortage of cash.

The demand for cash always goes up at the end of a year and the US Federal Reserve usually injects about $5bn into circulation. This year, the Federal Reserve intends to make available an extra $50bn in cash to help avert a liquidity crisis.

The markets are not convinced, however. The price of a three-month interest rate futures contract deliverable in December 1999, indicating where the market expects three-month interest rates to be at that time, started rising at the end of last year.

The December 1999 eurodollar forward contract is currently trading at a spread of 40 basis points over its September 1999 counterpart, implying a rise in three-month US interest rates to 5.27 per cent from 4.87 per cent over that three-month period.

How seriously should investors take the threat of millennium bug-related problems depends on who you talk to. Some analysts say the issue is overblown and that panic is unnecessary.

"We have all been warned about the systemic dangers of the millennium – that malfunctioning computer programs are going to cause our bank balances to be blanked out overnight and planes to drop out of the sky," said Phyllis Reed at Barclays Capital.

"However, you wonder whether this story is not getting just a bit over-done. There must be a risk that the most memorable aspect behind the millennium will be how much people talked about its risks ahead of time," added Ms Reed.

More radical economists find this attitude too complacent. Ed Yardeni, chief economist at Deutsche Bank in New York, is an ardent proponent of the view that the millennium bug could lead to a crash in stock markets and a global recession.

"The year 2000 problem is a very serious threat to the US economy. If the disruptions are significant and widespread then a global recession is likely," said Mr Yardeni.

"I believe there is a 70 per cent chance of such a worldwide recession, which could last at least 12 months starting in January 2000 and could be at least as severe as the 1973-74 recession that followed the Opec oil crisis," he added.

Mr Yardeni said US real gross domestic product could fall by 5 per cent. He argued that the millennium bug is likely to cause serious disruption in manufacturing and lead to a flight out of equities. Investors seeking safe havens would push US Treasury yields towards 3 per cent.

A recession could even start sooner, Mr Yardeni said, if share prices fell in anticipation of a recession in 2000. "The resulting loss in confidence could cause consumers to retrench in 1999," he said.

Mr Yardeni argues, that while the US, most of Europe and Australia are well aware of the dangers from the millennium bomb, it is countries such as Russia and Brazil that have only recently discovered the problem and do not have enough resources to tackle it, that pose most danger.

Mr Yardeni, however, is still in the minority. Most analysts believe that the world economy is unlikely to slide into recession solely because of the effects of the millennium bug, although it could cause some temporary problems.

"I think the Y2K problem will only cause a deviation of an economic trend, but would not initiate a new trend all by itself," said Joe Rooney at Lehman Brothers.

The investment bank predicts that the issue will cut 0.4 per cent from European GDP growth in the first quarter of 2000.

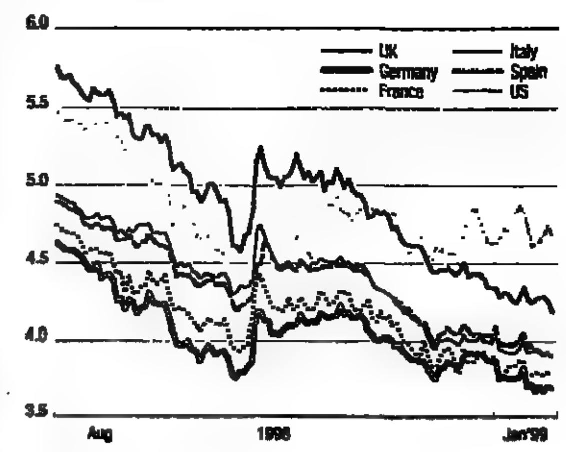
While the Y2K problem has no historical precedent, Lehman has examined six other events this century that had a significant impact on industrial output. These include *les evenements* of May 1968 in France, the imposition of credit controls in the US in 1980, and the Kobe earthquake in Japan in 1995.

"On average, they caused a decline in stock markets of 12.5 per cent, but none of these events caused a global recession," Mr Rooney said.

Lehman Brothers thinks that the impact of the millennium bug on corporate earnings should be temporary and stock markets ought to be able to look beyond that, Mr Rooney said, adding that the bank has not factored the issue into its 1999 stock-market performance forecasts.

As the new millennium draws closer, much of the way the markets react will depend on public perceptions of the problem, which in itself will affect what happens to stock and bond prices. And, considering the nature of the problem, only time – 340 days to be precise – will tell.

10-year benchmark bonds
Per cent



CONTRACTS & TENDERS

COMPANIES & FINANCE

EMERGING MARKETS VENEZUELA'S NEW PRESIDENT MUST CONVINCE INVESTORS OF COMMITMENT TO REFORM

Goodwill not enough for Chávez

By Raymond Colitt in Caracas

Since his landslide victory last month, Hugo Chávez, who is to take office as president of Venezuela on February 2, has gone a long way to dissipate investors' worst fears of a populist, authoritarian government.

Yet the former coup leader has been less able to convince a market overshadowed by the fall-out of Brazil's financial crisis of his cabinet's ability to tackle the country's daunting economic challenges and avoid a showdown with opposition parties over his aggressive political agenda.

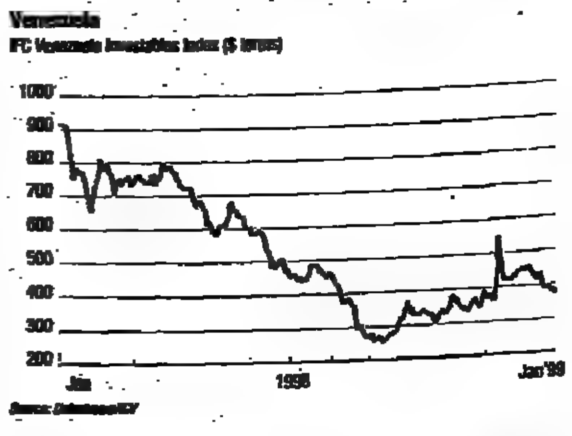
Following its initial rally on Mr Chávez's conciliatory post-election tone, the Caracas stock market's benchmark IBC index has fallen by some 30 per cent since early December. Mr Chávez has given some indications of heading in the right direction but must show more commitment to market-oriented policies, investors say.

"There is still a lot of uncertainty. We have no clear idea of his economic policy," said Miguel Octavio, chief analyst with Bancaracas, a local investment bank. He suggested that the Chávez team has the right intentions but may lack experience. "You need more than honesty and goodwill to deal with this economy."

Indeed, less than a week before taking office, Mr Chávez has said his government was willing to continue the current monitoring agreement with the International Monetary Fund but would not seek a more rigorous stand-by programme "if it could be avoided". He is to meet Michel Camdessus, head of the IMF, later this week.

Most economists say without the IMF's stamp of approval, the government will be unable to raise enough foreign capital to finance a budget deficit estimated at 9 per cent of gross domestic product. "I don't see any alternative," said Michel Goguikian, head of Santander Investment in Caracas.

The market is also wary of plans for a constituent assembly that is to rewrite the country's constitution. Mr Chávez has won supreme court backing for a referendum on the assembly and has promised "institutional continuity" while it meets. Yet investors are not convinced. "Uncertainty surrounding this assembly is going to help keep the market depressed this year," said José Felix Luzón, head of Westfalia Capital Markets. It may create entirely new rules of the game, he adds.



According to Emilio Antelo, a trader with Econoinvest, a Caracas brokerage, foreign investment funds have been pulling out in recent days fearing possible contagion from neighbouring Brazil's financial crisis. "There is too little liquidity in the market."

Following the Real's devaluation, daily trading volumes have dropped to between $1m and $5m, of which benchmark Electricidad de Caracas, the largest private utility, makes up between 60 per cent and 80 per cent.

Though Brazil has little impact on Venezuela's trade balance, the perceived risk of emerging markets will make difficult Venezuela's attempts to raise debt on international capital markets.

Also clouding prospects this year is the currency, overvalued by between 25 per cent and 40 per cent. "I don't see any immediate pressure on the bolivar but its overvaluation is a constant risk," said Mr Antelo, citing the large budget deficit.

Mr Chávez has pledged to strengthen central bank autonomy but has already indicated he would continue with the current foreign-exchange regime and announce a new referential depreciation rate, setting the upper and lower limits of the band within which the bolivar trades. In the long run, Mr Chávez says he will seek a fixed exchange rate.

Given the potential currency risk, analysts recommend companies such as cement producer Vencemos, with little dollar-denominated debt but much of their sales in hard currency. By comparison, telecommunications provider, CANTV, one of the most widely held shares, is more exposed because of its large foreign debt and local currency income, Mr Octavio of Bancaracas said.

Some analysts say a few clear signals towards fiscal discipline and market-oriented reform by the government could turn many inexpensive shares into winners. According to Brian Gendreau, emerging markets strategist with Salomon Smith Barney in New York, the average price-earnings ratio of Venezuelan shares is only 4, compared to 10 in Argentina and Mexico, and 7 in Brazil. With a price-to-book ratio of 0.4, "shares are extremely cheap," he said.

Taking into account political and economic uncertainty, including the foreign-exchange risk, he concludes "there is still probably more of an upside than downside."

Thai banks post big losses

By Ted Bardacke in Bangkok

Three of Thailand's leading banks reported big losses for 1998, but they were smaller than expected as the banks met what analysts described as only "minimal" provisioning requirements to avoid being forced to ask for government assistance in raising new capital.

Bank of Ayudhya, Thailand's fifth largest bank, lost Bt9.2bn ($151m) last year compared with a profit of Bt1.96bn a year earlier. Consensus estimates were for the bank to lose Bt14.3bn.

Thai Military Bank, the country's sixth largest, said it lost Bt7.7bn in 1997, compared with a profit of Bt1.4bn in the previous year. The bank had been expected to lose Bt11bn.

Neither bank detailed their levels of provisioning for bad debt, but analysts said they were low in order to minimise losses and keep capital ratios above the regulatory minimum.

Under strengthened provisioning rules implemented by the Thai government last year, all banks must have provisions for 20 per cent of bad loans by the end of 1998, rising by 20 percentage points every six months to 100 per cent by end-2000.

Banks unable to meet those guidelines must reach an agreement with the central bank on raising capital, something Bank of Ayudhya and Thai Military have been exempted from doing.

Both banks will be under tremendous pressure to raise capital in the second half of the year, analysts said.

State-owned Krung Thai Bank, the country's largest bank, lost Bt60bn in 1998, compared with a profit of Bt210m in the previous year. It made provisions of about Bt65bn, a figure the bank was forced to increase when it merged with First Bangkok City Bank, which was taken over by the government last year. Operating profit was about Bt5bn.

Gilat to raise $275m in US

By Avi Machlis in Jerusalem

Gilat Satellite Networks, the Israeli manufacturer of satellite ground stations, hopes to raise $275m on Nasdaq, the US market, next month to meet new capital expenditure needs after acquiring a General Electric subsidiary.

At Friday's share price, the issue would value Gilat at about $1bn. It will be its third and biggest equity offering on Wall Street.

Gilat plans to issue 4m new shares, and shareholders will sell a further 750,000. The deal will be led by Merrill Lynch and Goldman Sachs, and will also include Oppenheimer, Lehman Brothers and Salomon Smith Barney.

Gilat makes Very Small Aperture Terminal (VSAT) earth stations, equipment and software, which provide satellite-based communications.

Earlier this month, Gilat completed its acquisition of GE Spacenet Services of the US. Under the deal, GE American Communications, a General Electric subsidiary, became Gilat's biggest shareholder with a 30 per cent stake.

Simon Bull, senior consultant at Comsys, the UK-based industry consultancy firm, said the move "dramatically" improved Gilat's position against Hughes Network Systems of the US, its biggest competitor.

"Until now Gilat just moved boxes," he said. "Now they are in the service business too."

Azkar relaunches listing with Pta24.6bn offer

By Tom Burns in Madrid

Azkar, Spain's leading transport and logistics group, launches its second attempt at listing today with the start of a five-day subscription period that seeks to place 42 per cent of the company on Madrid's Bolsa in an initial public offering worth Pta24.6bn (€148m, $171m).

Financial turmoil forced the family-owned company to pull its market debut in September, shortly before it was due to fix the price. The re-launch will be made in euros – the first euro offering on Spain's equity market.

The euro-zone environment has allowed Azkar to alter substantially the terms of September's aborted IPO and direct its disposal towards foreign funds in preference to the domestic market.

In its new attempt to tap equity investors, Azkar has increased the international institutional tranche of the offer and brought Merrill Lynch, of the US, alongside the domestic bank Argentaria to co-lead the bulk of the disposal.

The new offer structure is a change from past initial public offerings in Spain, which had been increasingly weighted towards domestic institutions and retail investors.

The offer price, which is expected to be in the range of €10-€11.25, will be set on Sunday, and Azkar shares will start trading on February 3.

The revised structure of the IPO raises the institutional tranche from the 4.5m shares, or 33.9 per cent of the total offer, that was allocated in September to 6.5m shares, representing 47.8 per cent of the disposal.

In order to accommodate international institutions, the retail tranche of the offering is being scaled back from 32 per cent of the offer in September to 25 per cent; the Spanish institutional allocation is being lowered from 33.9 per cent to 27.3 per cent; and the offering to Azkar's employees is cut from 4 per cent to 2.4 per cent.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, January 22, 1999. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	EURO €	YEN (X 100)
Afghanistan	(Afghani)	7067.23	4750.00	5501.46	4102.10
Albania	(Lek)	230.930	138.800	161.595	122.822
Algeria	(Dinar)	182.112	91.7300	71.4665	94.0000
Andorra	(French Fr)	9.3684	5.6636	6.5596	4.9825
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

مكرر من الاصل

State lifeline for Ikarus

By Robert Wright in Budapest

The Hungarian government on Friday threw a lifeline to one of the country's most important manufacturers, after Ikarus, the bus-maker, said it had been granted $40m of export credit guarantees to export buses to Russia.

The company will also seek strategic partnerships with multinational vehicle builders and new capital from US investment funds.

The move was announced by Gabor Szeles, president of Ikarus, on the day a board meeting had been expected to decide it was insolvent because of debts caused by the Russian crisis and a collapse in sales to Russia.

Instead, because of the export credit guarantees, Ikarus's banks extended their credit agreement with the company to eight years, from three to four.

APV, the state privatisation agency, privatised Ikarus only last April, selling 53 per cent to Mr Szeles and 10 per cent to employees.

Friday's announcement followed the removal of objections from Atex, a Russian trading company that holds 30 per cent of Ikarus, to bringing in new investors.

Mr Szeles is in talks with about six international vehicle makers about strategic partnerships to supply components or carry out manufacturing work from Ikarus's two main plants, in Budapest and Sekesfehervar.

Volvo, the Swedish vehicle maker, expressed interest in Ikarus before privatisation but would not comment on Friday. DaimlerChrysler said it was assessing whether Ikarus could supply components. Talks about an investment link with Ikarus failed last year, it added.

Ikarus, formerly the main bus supplier to the Comecon trading block, had been a symbol of Hungarian pride whose future has assumed great political importance.

Having once made up to 15,000 buses a year, Ikarus, 63 per cent of whose sales were to Russia, last year turned out only 1,162 buses and made a loss of Ft2bn ($9.25m) on sales of Ft48bn.

About 1,000 of the 6,200 workers will now be laid off, fewer than expected. Ikarus' potential collapse caused argument within the government of Viktor Orban, when Mr Szeles appealed for direct financial assistance. The dispute was won by Attila Chikan, economic affairs minister, who opposed assistance to a privatised company.

UBS ready to go on the offensive

The new chief of Europe's biggest bank is facing a crucial meeting, says William Hall

Marcel Ospel: chance to re-awaken a slumbering giant

UBS, Europe's biggest bank, had a miserable 1998. It lost its chairman and three top executives in October, announced a SFr911m ($659m) third-quarter net loss in November, and was stripped of its triple A credit rating by Moody's Investors Service in December.

Its shares, which had touched SFr653 shortly after it consummated its merger with Swiss Bank Corporation, finished the year where they started, at SFr422.

At the time of last June's merger, analysts had been expecting it to earn more than SFr5bn in 1998. Now it seems it will earn less than SFr3.5bn in 1998 and SFr5.3bn in 1999.

A year ago Marcel Ospel, UBS's new chief executive, was talking confidently of earning between SFr10bn and SFr11bn by 2,002 and boosting the return on the group's equity to between 15 per cent and 20 per cent. Now these targets no longer seem quite so secure.

UBS remains one of the world's best capitalised banks, and more highly rated than arch rival Credit Suisse.

Most of the mishaps of the last six months, such as the shortcoming in risk management procedures, can be blamed on the old UBS management team, which has been largely replaced by former SBC executives led by Mr Ospel.

It was his record in successfully integrating takeovers at SBC that led many analysts to add UBS to their buy list. Mr Ospel appeared to be the Swiss banker with the best chance of re-awakening UBS, one of Europe's slumbering banking giants.

However, Mr Ospel's honeymoon period has almost run out. The delay in finding a replacement for Mathis Cabiallavetta, UBS's luckless chairman who resigned nearly four months ago, and the slowness in resolving several outstanding strategic questions, is starting to give the impression that Switzerland's proudest bank is being allowed to drift.

This week, UBS is expected to go on the offensive. Alex Krauer, 67, who is stepping down as chairman of Novartis, is likely to be named chairman of UBS – a job he has been doing on an interim basis since Mr Cabiallavetta's unexpected departure.

However, Mr Krauer is close to retirement and the UBS supervisory board badly needs strengthening with more internationally minded directors if it is to provide a worthy long-term successor to Mr Krauer.

Mr Ospel will also seek to reassure analysts at today's annual investment conference that he has the answers to the following strategic questions hanging over UBS:

● Warburg Dillon Read. Fixing UBS's enlarged investment banking operation is the biggest challenge. After the setbacks in the third quarter when WDR lost SFr1.7bn, UBS has the following options for WDR – grow, shrink or exit. There has been speculation that it might be sold to the likes of Morgan Stanley, but UBS seems firmly committed to investment banking.

What remains unclear is the scale of the commitment. WDR already has critical mass in Europe and Asia, but is still in the junior league in the US.

If UBS wants to compete with Merrill Lynch, Morgan Stanley and Goldman Sachs, it will need to inject more capital into WDR.

If not, then it seems increasingly unlikely that WDR will be able to meet its SFr3bn net income target by 2,002.

● Surplus capital. Goldman Sachs estimates that UBS currently has at least SFr7.6bn of excess capital and given the speed with which it is reducing its international loan book, it could easily have twice as much by 2,002. Will UBS return some to shareholders by buying back its shares, or blow most of it on another acquisition?

● Acquisition strategy. Apart from the uncertainty over whether to bolster WDR with another US acquisition, there are two areas where UBS needs to take a quick decision.

It is already the world's biggest private bank, but is under-represented in the US, the world's biggest private banking market. To grow its US business it will have to acquire.

It has also promised to make a decision soon on the future of its 25 per cent stake in Swiss Life, the biggest Swiss life insurer. If it were to bid for full control, it would cost upwards of SFr10bn and also indicate a major change in strategy towards becoming a bancassurer.

● Divestments. UBS made a SFr932m after-tax profit on the sale of Banca della Svizzera Italiana. But it only sold it because it was told to do so by the Swiss competition authorities.

It still has plenty of other surplus assets, such as a 37.2 per cent stake in Motor-Columbus, an electricity generator, and a 30 per cent stake in Basle-based National Insurance, not to mention Zurich's posh Hotel Widder, which could easily be sold if it wanted to demonstrate its commitment to enhancing shareholder value.

● Banking strategy. Does UBS want to be a bank or an asset manager? The run-down of its international loan book, the sale of its consumer finance units, and the decision to sell its global trade finance unit suggest that the UBS of the future is going to be a very different animal from the UBS of today. If so, does it really need a staff of 55,000, capital of more than SFr30bn, and a retail branch network in Switzerland?

It will be the answers to questions such as these that will determine whether UBS is going to regain the premier rating that has so long eluded it.

MARKETS WEEK

January 25 - January 31

NEW YORK

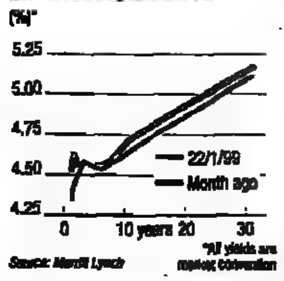
By Tracy Corrigan

The US Treasury market saw only a minor flight to quality last week, as Brazil's financial woes continued. William Poole, head of the Federal Reserve Bank of St Louis and William McDonough of the New York Federal Reserve both said liquidity in the credit market had improved.

Meanwhile, US Federal Reserve chairman Alan Greenspan and President Bill Clinton both gave ringing endorsements of the US economy's strength. The Fed's current policy on interest rates appears to be neutral, according to analysts, though Mr Greenspan as usual struck some cautionary notes about potential dangers.

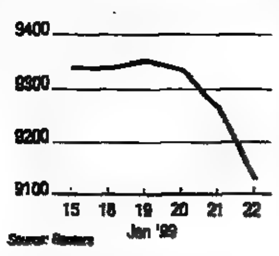
Among this week's data, January consumer confidence numbers are due on Tuesday. The markets will also be waiting to hear Mr Greenspan again on Thursday, when he testifies on the US economy to the Senate budget committee.

Benchmark yield curve



Source: Merrill Lynch

Dow Jones Industrial Average



Source: Reuters

Fourth-quarter gross domestic product data are due on Friday. Analysts expect 4.2 per cent growth.

In the near-term, Treasury yields will remain at the lower end of a 5-5.5 per cent range, according to the latest analysts' report from Donaldson, Lufkin & Jenrette.

LONDON

By Philip Coggan

UK investors will hope for a less volatile ride than of late in a week when domestic economic and corporate news should be limited.

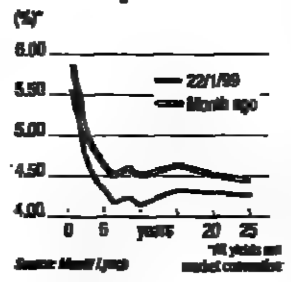
Share prices have been bumped around by events in Brazil in the last fortnight, with the FTSE 100 almost reaching its all-time high, only to dip back below the 6,000 level on Friday. Contradictory UK economic data, sowing confusion about the potential for further rate cuts, have added to the confusion.

Bank of England watchers will be looking at the quarterly survey of industrial trends from the Confederation of British Industry. There have been tentative signs, thanks to interest rate cuts and the weaker pound, that sentiment in the manufacturing sector may have hit bottom.

The latest trade figures are expected to show that the UK continues to run a big deficit. The non-EU figure for December is forecast to show a shortfall of £1.7bn, compared with November's £1.8bn, according to Standard & Poor's MMS; the global deficit for November is predicted to be £2.1bn, from October's £1.6bn.

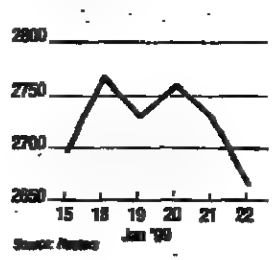
Northern Rock will produce final figures and Misys its interims.

Benchmark yield curve



Source: Merrill Lynch

FTSE All-Share Index



Source: Reuters

FRANKFURT

By Tony Barber

The sharp ups and downs of the Dax blue-chip index since the start of the year seem unlikely to smooth out this week, especially as major companies begin to publish their 1998 results.

In the technology sector, the software group SAP is to report its annual figures tomorrow, after warning in early January that sales problems in Japan had reduced its pre-tax earnings growth to 15 per cent. This was far below the company's own forecast of at least 30 per cent growth.

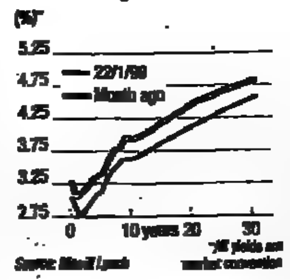
Results from companies in the chemicals, machinery and steel sectors may also reveal the growing impact of the financial crises in Japan, south-east Asia, Russia and Latin America, which led to a general slowdown in German exports in the fourth quarter of last year.

Elsewhere, utility stocks may come under pressure as the German government starts talks tomorrow with wary industry leaders on the long-term abolition of nuclear power plants.

Investors still have to reckon with the possibility of more far-reaching problems stemming from Brazil's devaluation.

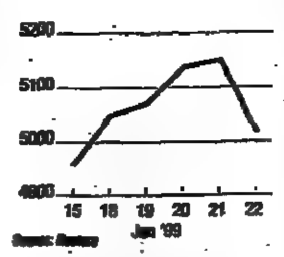
But few believe there is a serious risk at this stage of an imminent Chinese devaluation.

Benchmark yield curve



Source: Merrill Lynch

Dax Index



Source: Reuters

TOKYO

By Julie Hess

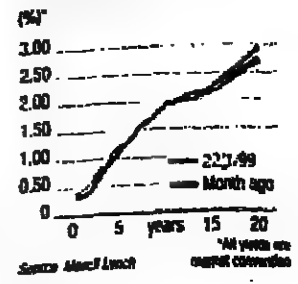
The condition of the Japanese economy is likely to be at the centre of investors' attention this week. The key statistic will be the industrial production for December and a forecast for January and February. Any sign of bottoming out in production and a decline in inventories would be welcomed. The workers' household expenditures for December will also be watched with interest, after the November figures showed an improvement. It may, however, depress sentiment, if last month's unemployment record of 4.4 per cent is surpassed, as suggested by economists.

The government's new industry reform plan, expected by the end of the month, is also likely to move the market. Politicians promised a shift from a demand to supply oriented policy to improve corporates' competitiveness.

Also, a key 10-year government bond auction is expected, further increasing the expansion in bond supply. The 10-year bond yield has increased from 0.695 per cent to 1.725 per cent in the last month.

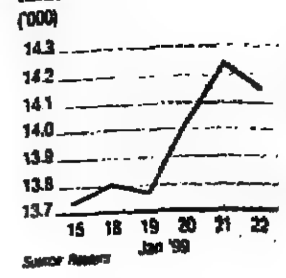
Finally, investors are likely to continue to focus on the bank sector, which rebounded last week on news of tie-ups and mergers.

Benchmark yield curve



Source: Merrill Lynch

Nikkei 225 Average



Source: Reuters

LONDON MARKET DATA

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998/9 High	1998/9 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	12.0	100	95	AIM VCT	100	-	-	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
-	F.P.	8.01	8	4½	Do Cap	6½	-	-	-	-	-
-	F.P.	31.9	116½	102	Do Zero Div Prf	116½	-	-	-	-	-
-	F.P.	-	101	98	Do Equity Units	99½	-	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1998/99 High	1998/99 Low	Stock	Closing price p	+or-
870	Nil	26/1	250pm	190pm	SMP	220pm	-11½

[illegible]

FTSE GOLD MINES INDEX

	Jan 22	% chg since 31/12/98	Wkd Cap	% of Gold Mines	Gross div yld %	Total return	52 week High	52 week Low
Gold Mines Index (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	701.58
Africa (9)	1084.64	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	705.83
Australasia (9)	1196.33	2.5	4.85	14.64	2.54	1206.50	1600.53	815.93
Americas (11)	902.64	2.4	16.88	[illegible]	[illegible]	994.78	1317.41	647.69

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STOCK INDICES

	Jan 22	Jan 21	Jan 20	Jan 19	Jan 18	1999 High	1999 Low	Since comp. High	Since comp. Low
FTSE 100	5861.2	6022.3	6105.8	6027.6	6123.9	6179.0	4648.7	6179.0	986.9
FTSE 250	4829.1	4876.8	4884.9	4874.6	4903.8	[illegible]	4251.2	[illegible]	1379.4
FTSE 250 ex IT	4834.1	4872.9	4879.9	4874.8	4904.6	6030.0	4285.8	6030.0	1378.3
FTSE 350	2761.6	2830.0	2854.2	2832.1	2873.1	2987.8	2232.5	3546.4	664.5
FTSE SmallCap	2093.11	2105.29	2108.10	2102.90	2105.96	[illegible]	1834.48	[illegible]	1363.79
FTSE SmallCap ex IT	2053.08	2061.72	2063.62	2060.34	2062.35	[illegible]	1815.33	[illegible]	1363.79
FTSE All-Share	2698.38	2729.03	2760.87	2730.74	2780.69	[illegible]	2188.07	[illegible]	61.92
FTSE Fledgling	1177.22	1182.67	1182.58	1177.46	1173.19	1317.11	1048.17	1317.11	31.14
FTSE Eurotop 100	2711.17	2783.23	2881.84	2792.23	2816.48	[illegible]	2048.91	[illegible]	2044.67
FTSE Eurotop 300	1180.26	1214.21	1229.92	1213.54	1223.72	1327.68	896.55	1327.68	674.08
FT 30	3422.9	3462.2	3514.2	3480.5	3537.8	[illegible]	2908.8	[illegible]	49.4
FT Govt Securities	117.17	116.94	116.38	116.13	116.10	117.17	93.31	141.94	49.18
FT Fixed Interest	158.46	158.07	157.50	157.24	157.06	158.46	118.32	158.46	50.53
FTSE Gold Mines	[illegible]	[illegible]	[illegible]	985.71	[illegible]	1391.57	701.58	[illegible]	701.58

COMPANIES DIARY

Cost control likely to help AT&T advance

Aggressive cost-control measures are expected to help AT&T, the US telecommunications group, to report today fourth-quarter earnings per share of $1, up sharply from 81 cents a year earlier, according to a consensus of analysts' forecasts.

Michael Armstrong, chief executive, has ordered strict cost controls to blunt the impact of revenue losses in the company's traditional long-distance market.

AFX-News, New York

● Citigroup is expected today to report fourth-quarter earnings of 56 cents a share, against 60 cents a year earlier, according to IBES International. The focus will be on the performance of the Salomon Smith Barney unit, which is still losing money, analysts said.

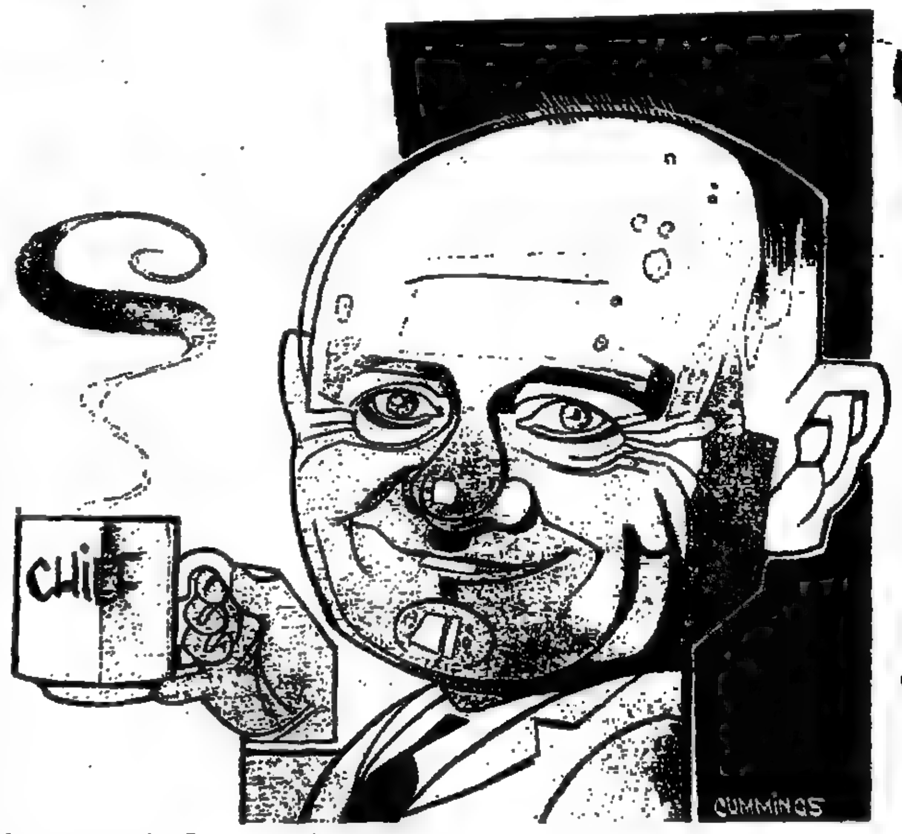
AFX-News, New York

● The performance of its platinum mines is likely to be the key to final results from Lonrho, the UK conglomerate, says broker Williams de Broë.

The strong metals price is expected to have helped the mining group to produce a pre-tax figure of £103m ($170m), compared with the £101m last year.

Demand for platinum and palladium has been powered by the need for vehicle catalysts, while supplies are dwindling because Russian stockpiles are falling.

Williams de Broë has also highlighted the company's strong balance sheet, and believes Lonrho is well positioned for an acquisition.



Leo Finn, managing director of Northern Rock

WEDNESDAY

● Compaq Computer is expected to report next Wednesday fourth-quarter earnings of 36 cents a share, compared with 42 cents last time, as robust personal computer sales offset lower average selling prices.

Following stronger-than-expected earnings from Microsoft and Intel, mainly because of the seasonal strength of PC shipments and booming demand for internet use, analysts said Compaq's earnings could exceed estimates.

AFX-News, San Francisco

● Second-quarter earnings at America Online are expected to come in at 13 cents a share, up from 4 cents a year ago. The company is expected to show that it continued to sign on new subscribers, while revenues per subscriber are expected to benefit from the growth of online commerce and advertising.

AFXNews, San Francisco

● Full-year results from Northern Rock, the bank, are expected to show an underlying rise of 7 per cent, helped by strong asset growth and fee income, although there may be a little margin decline.

However, the pre-tax figure is expected to show an increase of some 46 per cent, as a large exceptional cost last year will flatter this year's result.

BT Alex Brown forecasts a pre-tax rise from £138m to £201m ($332m), while the underlying figures should rise from £214m to £225m.

THURSDAY

● Alcatel is expected to report 1998 net profit, excluding exceptionals, of between FFr3.6bn and FFr5.6bn (€850m, $980m), compared with FFr4.7bn last time, analysts forecast.

Any new factors with the potential to upset profit estimates would most likely concern Alcatel's data networking and mobile telephony operations, analysts said.

Lucent's recent $18.5bn takeover of Ascend has left Alcatel without a partner in data transmission, where European vendors traditionally have lagged behind their US counterparts.

AFX-News, Paris

● Misys, the UK Computer software group, is expected to produce interim pre-tax profits of £48m-£56m ($79m-$92m), up from £32.1m last time. Those figures were 36 per cent ahead, powered by strong demand from the financial services sector.

However, expansion beyond the core financial services business with the $923m acquisition of Medic, the US medical software group, prompted some investors to fear it was overpaying for a relatively small business positioned towards the bottom end of a lucrative market. There may be an update on how Medic is progressing.

FRIDAY

● Fiat's preliminary 1998 results are expected to show pre-tax profit of between L2,400bn and L2,838bn (€1.46bn, $1.7bn), on sales ranging from L87,500bn to L89,335bn analysts said. That compares with pre-tax profit in 1997 of L4,200bn on sales of L89,500bn.

The results are expected to be hit by operating losses at its Fiat Auto unit following a sharp fall in Brazilian car sales and a drop in domestic sales. *AFX News, Milan*

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
ANZ Bank	250	Jan 2002	(a)	99.769R	-	-	Barclays/WDR
Dresdner Finance†	[illegible]	Jan 2004	(b)	99.889	-	-	Dresdner/B Stearns/[illegible]
Bavaria	500	Jan 2002	5.25	99.938	-	-	Nomura
Royal Bank of Canada‡	500	Jul 2003	(c)	99.995	-	-	CSFB
National Australia Bank‡	500	Feb 2002	(d)	99.817R	-	-	Deutsche/WDR
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TBS Finance Ltd †	300	Feb 2004	(l)	99.875R	-	-	Deutsche/CSFB
STERLING							
Bradford & Bingley†	400	Feb 2004	(f)	99.775	-	-	Barclays/HSBC Sec
YEN							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY

Carpetright 9.5p
Debenhams 7¼% Ln 2002/07 £3.625
Do 7¾% Ln 2002/07 £3.875
Electrocomponents 3.25p
GB Railways 1.5p
General Electric $0.35
Glaxo Wellcome 6⅛% Nts 2006 $31.25
Golden Castle Euro-Finance FRN 2004 141.73
Housing Secs 8⅜% Db 2019 £4.1875
Hydro-Quebec 10⅞% Dbs Series HW July 2001 C$54.375
Leicester City Council 7% Ln 2019 £3.50
Lewis (J) 10½% Bds 2014 £1050
Limit 2.2p
Molex $0.015
Do Class A $0.015
Salford 7% Ln 2019 £3.50
Toyo Ink Manufacturing 7% Bds 2002 Y700000
Treasury 13¾% 2000/03 £6.875
Whitecroft 1.75p
Do 5.1% Prf 2.55p

■ TOMORROW

Index-Linked 2½% 2016 £2.5039
Italy FRN July 26 1999 $13.46
Do FRN July 1999 Y1178
Mitsui Toatsu Chems 3⅛% Bds 2001 Y3500000
Murray Income 3.15p
Premier Farnell Cv Prf $0.675
Do $1.35 Cv Prf 44.6p
Do ADR $0.84375
Ptarmigan International Capital 2.2p
Treasury 7¾% 2015/17 £3.875
Ultraframe 3.7p

■ WEDNESDAY JANUARY 27

Bank of Nova Scotia C$0.21
Berisford 6.3p
Bristol United Press 6.75p
Chaucer 1p
Dawson Hldgs 3.1p
Financial Rec for Secs Transactions No3 FRN 2016 £2188.54
Do Senior FRN 2016 £562.75
Housing Finance Agency 2% Idx-Lkd 2008 £1.782
Leeds 4.6p
Longmead 2p
NatWest Nts $1548.71
Norway 8⅜% Nts 2003 C$83.75
Sappi R1
Scottish Radio 7.7p
Tokyo-Mitsubishi Intl 7½% Nts 2002 $375000

■ THURSDAY JANUARY 28

Action Computer Supplies 1.75p
Australia 13½% Ln 2010 £6.75
Britannia Bldg Scty Sb FRN 2005 £19963.32
British Energy 5.3p
Canadian Imperial Bank of Commerce C$0.30
Comino 1.25p
Co-operative Bank Sb FRN 2000 £92.10
Critchley 5p
Denby 3.25p
Fleming Asian Inv Tst 0.7p
Halifax 6½% Nts 2002 $65.0
Honda Motor 6% Bd 1999 Y600000.0
Hydro-Quebec FRN Ser FY Jul 2002 $284.88
Northumbrian Water 5¼% Rd Db 2012 £2.625
Smaller Co's Inv Tst Eq-Lkd Un Ln 2003 2.446p
Tesco 10⅜% Bd 2002 £103.75

■ FRIDAY JANUARY 29

Abbey National Stlg Cap 10⅜% Sb Gtd Bd 2002 £1037.50
Airsprung Furniture 1.95p
Allen 5.1p
Alliance & Leicester Treasury Gtd FRN 2001 £182.36
Allied Irish Banks Sb Prim Cap Perp Nts $145.35
Atrium Underwriting 2p
Avon Rubber 18.2p
Babcock Int 0.8p
BOC 5⅞% Nts 2001 $58.75
Cadcentre 1.6p
Canadian Gen Invs C$0.28
Canadian Imperial Bank of Commerce Fltg Rate Db 2084 $$303.33
Channel Islands Comms 1.3p
Character 3.85p
Chloride 0.6p
Cranswick 3.6p
Dartmoor Inv Tst 3.25p
Dow Chemical $0.87
Dumyat Inv Tst 0.49p
Dunedin Enterprise Inv Tst 2.5p
Dunedin Inc Grwth Inv Tst 11½% Db 2018 £5.75
Dyson (J & J) 1.35p
Edinburgh US Tracker Tst 6% Cm Pf £1.75
Enterprise Venture Cap Tst 2.25p
Do A 1.125p
Euclidian 2p
Expro Int 3.4p
Fleming Mercantile Inv Tst 2.8% Cm Pf 1.380822p
Do 3.5% Cm Pf 1.726027p
Foresight Technology VCT 3.625p
Framlington Dual Tst 1.75p
Hadleigh 2.25p
Henderson High Inc Tst 1.75p
HE Hire 1.6p
Hornby 2p
ITE 0.875p
Jarvis Hotels 1.6p
Lowe's $0.03
Morland 10p
Nat West Bank Var Rate Cap Nts 2000 $1478.75
Nationwide Bldg Scty 3⅝% IL Ln 2021 £3.3025
New London Cap 1.16p
Pennine Downing AIM VCT 1.25p
Precoat Int 2.6p
Prestwick 7¼% Cv Pf 3.625p
Ptarmigan Int Cap Tst 3¼% Sb Cv Bd 2009 £81.25
Rebus 0.77p
Reliance Security 2.2p
Renold 3.1p
Royal Bank of Canada Fltg Rate Db 2005 $45.82
SBS 2.2p
Schroder Inc Grwth Fd 1.13p
Schroder UK Grwth Fd 0.9p
Seton Scholl Healthcare 3.3p
Shires Inc 3.25p
Smith (WH) 4p
Temple Bar Inv Tst 7% Cm Pf 2.45p
3i 4.3p
Tor Inv Tst 11p
Transamerica $0.50
Wells Fargo Fltg Rate Sb Nts 2000 $46.82
Wigmore Property Inv Tst 0.2p
Wolseley 9p
Wolverhampton & Dudley Breweries 13.31p
Young (H) 3.5p

■ SUNDAY JANUARY 31

Abbey National 6½% Und Sb Nts Y2750000.0
Airflow Streamlines 10% Cm Pf 5p
Albemarle & Bond 0.75p
BP Amoco 8% Cm 1st Pf 2.8p
Do 9% Cm 2nd Pf 3.15p
Britannia Bldg Scty 13% Perm Int Brg £65.0
Carbo 5¼% Cm Pf 2.625p
Chase Manhattan $0.36
City of London Inv Tst 8½% Db 2021 £4.25
Derwent Valley 10⅛% 1st Mtg Db 2019 £5.0625
Dewhirst 9¾% Cm Pf 4.875p
Dixons Cv Pf 2.5p
Eidos 6¼% Cv Bd 2002 $312.50
English & Scottish Invs 8¼% Db 2023 £4.125
Do 11% Db 2014 £5.50
First Hydro Fin 9% Gtd Sec bd 2021 4.5p
Haslemere Estates 10½% 1st Mtg Db 2016 £5.25
Hemingway Props 10⅜% 1st Mtg Db 2023 £5.1875
Do 7½% Cv Un Ln 2027 £3.75
Highland Distillers 5¾% Cv Sb Bd 2006 2.875p
Hyder 7⅞% Cm Pf 3.9375p
Iceland 14½% Ln 2016 £7.25
Invesco City & Commercial Tst RPI-Lkd Db 2006 £2.9695
Jupiter Split Tst 4.38p
Do Units 74.46p
LAB Invs 8⅛% Sec Bd 2014 4.0625p
Market Link Publishing 0.6p
Peabody Tst 10¼% 1st Mtg Db 2018 £5.125
Pressac 10½% Cm Pf 5.25p
Rank Cv Rd Pf 4.125p
Scottish Eastern Inv Tst 8½% Db 2024 £4.25
Do 9¾% Db 2020 £4.875
Do 12⅜% Db 2012 £6.1875
Scottish Mortgage & Tst 6⅞% Db 2023 £3.4375
Skipton Bldg Scty 12⅞% Perm Int Brg £64.375
Smith & Nephew 5½% Cm Pf 1.925p
S & U 31½% Cm Pf 1.96875p
Tesco 4% Un Deep Discount Ln 2006 £2.0
3i Smaller Quoted Co's Tst 7¾% Db 2022 £3.875
Throgmorton Tst 7¼% Cm 1st Pf 2.5375p
Toronto-Dominion Bank C$0.34
Transport Dev 12½% Un Ln 2008 £6.25
University of Lancaster 9⅝% 1st Mtg Db 2025 £2.4375
Wace 8% Cv Pf 4p
Whitbread 11⅝% Db 2011 £5.8125
Widney 7% Cm Pf 2.45p

UK COMPANIES

■ TODAY
COMPANY MEETINGS
Leeds Grp, Jarvis Parkway Hotel, Otley Road, Leeds, 12.00
Richmond Foods, Manston Lane, Crossgates, Leeds, 12.00
BOARD MEETINGS.
Final.
Lonrho
Interims.
Filtronic
Haynes Publishing
US Smaller Co's Inv
Wintrust

■ TOMORROW
COMPANY MEETINGS
Dawson Hldgs, Croydon Park Hotel, 7, Altyre Road, Croydon, 2.30
Jennings Bros, Bridge Inn, Santon Bridge, Cumbria, 11.30
Victrex, 4, Kings Arms Yard, E.C., 10.00
Wolverhampton & Dudley Breweries, Wolverhampton Wanderers FC, Molineux, Waterloo Road, Wolverhampton, 12.00
BOARD MEETINGS.
Finals:
IMS
London Scottish Bank
Interims:
Aston Villa
Cassidy Bros
FII
Photo-Me Int

■ WED JANUARY 27
COMPANY MEETINGS:
Capital Radio, Capital Radio Cafe, 29-30, Leicester Square, W.C., 11.00
Charlton Athletic, The Valley, Floyd Road, S.E., 8.00pm
French, Village Hotel & Leisure Club, Cheadle Road, Cheadle, Cheshire, 10.30
Scottish Radio, Clydebank Business Park, Clydebank, Glasgow, 12.00
Smith (WH), The Brewery, Chiswell Street, E.C., 11.30
BOARD MEETINGS
Final:
Northern Rock
Interims:
AromaScan
Powerscreen Int

■ THURS JANUARY 28
COMPANY MEETINGS
Care UK, Myland Hall Education Centre, Barncroft Close, Highwoods, Colchester, 10.30
Denby, Exchange House, Primrose Street, E.C., 10.30
Govett High Inc Inv Tst, Shackleton House, 4, Battle Bridge Lane, S.E., 12.00
BOARD MEETINGS.
Final.
Bensons Crisps
Interims:
Bryant
Int Greetings
Medisys
Mitys

■ FRI JANUARY 29
COMPANY MEETINGS
Cooper (F), Wolverhampton Wanderers FC, Molineux, Waterloo Road, Wolverhampton, 12.00
Dominion Energy, 77, South Audley Street, W., 11.30
Scottish Inv Tst, 6, Albyn Place, Edinburgh, 11.00
BOARD MEETINGS.
Finals.
Derby Tst
Partridge Fine Art
Interim:
Stewart Zigomala

Company meetings are annual general meetings unless otherwise stated. Please note: Reports and accounts are not normally available until six weeks after the board meeting to approve the preliminary results. This list is not necessarily comprehensive since companies are not obliged to notify the Stock Exchange of imminent announcements.

CONFERENCES, VENUES AND COURSES

CONFERENCES

VENUES

LANGUAGE COURSES

COURSES

CURRENCIES & MONEY

GDP may sway US

By Florian Gimbel

This week will show whether the US economy has continued to boom with the release on Friday of the preliminary estimate of gross domestic product (GDP) growth for the fourth quarter of 1998.

Surging consumption and investment are likely to have resulted in a substantial rise in GDP, to a quarterly annualised rate of around 4.6 per cent. Consumer spending is expected to rise by at least 4 per cent, while plant and equipment investment, as well as housing activity, should also have boosted output.

For the time being, deflationary pressures stemming from the problems in emerging markets may have kept US interest rates lower than the strength in domestic demand would warrant.

But the continued growth of the US economy may put further pressure on the Federal Reserve to raise interest rates, which could push up the dollar in the short term.

In the longer term, the market may wonder how long the pillars of US growth can stand under the strain of a widening Latin American crisis.

If the delicate balance is upset, it may end the US asset price bubble, just as happened in Japan before it entered into recession in the early 1990s. Should this worst case scenario materialise, markets could react with a vengeance, pulling money out of US asset markets and causing the dollar to collapse.

Markets this week will also be watching other countries in Latin America for signs of currency weakness, given the fall in the Brazilian Real last week.

Attention will focus on the Argentine currency board, which may come under increasing pressure as anxious investors continue to swap pesos for dollars. The Argentine central bank last week produced a report on the feasibility of abandoning the peso and switching to the US dollar.

POUND SPOT FORWARD AGAINST THE POUND

Jan 22	Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
[illegible]												

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 22	Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	JP Morgan Index
[illegible]												

WORLD INTEREST RATES

MONEY RATES

Jan 22	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Euro-zone	3¼	3¼	3¼	3	2⅞	-	3.00	3.00
week ago								
Switzerland	[illegible]	[illegible]	1⅛	1⅛	1⅛	-	1.00	-
week ago	[illegible]	1	1⅛	1⅛	1⅛	-	1.00	-
[illegible]								

INTERNATIONAL CURRENCY RATES

Jan 22	Short term	7 days notice	One month	Three months	Six months	One year
[illegible]						

■ THREE MONTH EUROMARK FUTURES

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.13	95.15	+0.03	95.18	95.13	95,478	419,822
Sep	95.14	95.19	+0.05	95.20	95.14	153,986	379,585

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.88	95.85	-0.02	95.88	95.85	[illegible]	2,177
Jun	-	95.95	-	96.01	-	62	106

All Open Interest figs. are for previous day

■ POUND IN NEW YORK

Jan 22	--Close --	-- Prev. close --
£ spot	1.6545	1.6520
1 mth	1.6532	1.6508
3 mth	1.6515	1.6492
1 yr	1.6500	1.6479

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

■ OTHER CURRENCIES

Jan 22	£	$
Czech Rp	51.7094 - 51.7677	31.2670 - 31.2890
Hungary	357.270 - 357.738	216.030 - 216.220
Iran	4953.90 - 4961.40	3000.00 - 3000.00
Kuwait	0.4998 - 0.5001	0.3021 - 0.3024
Peru	5.4212 - 5.4264	3.2780 - 3.2810
Poland	5.9438 - 5.9626	3.5940 - 3.6040
Russia	[illegible]	[illegible]
U.A.E.	6.0739 - 6.0773	3.6727 - 3.6732

BANK RETURN

The Bank Return table can be found on page 27 in today's edition.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 22	BFr	DKr	FFr	DM	IE	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	€
[illegible]																	

■ D-MARK FUTURES (IMM) DM 125,000 per DM — [illegible]

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr — [illegible]

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.8863	0.8776	-0.0081	0.8863	0.8760	24,730	74,082
Jun	0.8915	0.8878	-0.0081	0.8890	0.8872	16	4,089
Sep	-	0.8981	-0.0081	-	-	18	1,304

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	1.6494	1.6524	+0.0018	1.6555	1.6480	6,646	50,617
Jun	1.6512	1.6500	+0.0018	1.6530	1.6480	17	1,329
Sep	-	1.6492	+0.0018	1.6510	1.6470	280	230

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound) — [illegible]

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 (cents per DM) — [illegible]

BENCHMARK GOVERNMENT BONDS

Jan 22	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
[illegible]								

UK INTEREST RATES

LONDON MONEY RATES

Jan 22	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	-	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6 per cent from Jan 7, 1999

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc. [illegible]

BANK OF ENGLAND TREASURY BILL TENDER

	Jan 22	Jan 15		Jan 22	Jan 15
Bills on offer	£100m	£100m	Top accepted rate	5.2543%	5.2544%
Total of applications	[illegible]	[illegible]	Ave. rate of discount	5.2527%	5.2505%
Total allocated	£100m	£100m	Average yield	5.3223%	5.3201%
Min. accepted bid	[illegible]	[illegible]	Offer at next tender	£100m	£100m
Allocated at min. level	97%	72%	Min. accept. bid 28 days	-	-

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Exeter Trust Limited	7.00	Singer & Friedlander	6.00
Allied Irish Bank (GB)	6.00	Financial & Gen Bank	6.00	Smith & Williamson	6.00
Henry Ansbacher	6.00	Robert Fleming & Co	6.00	Sun Bank	6.00
Banco Bilbao Vizcaya	6.00	Habib Bank AG Zurich	6.00	TSB	6.00
Bank of Cyprus	6.00	[illegible]	6.00	United Bank of Kuwait	6.00
[illegible]					

UK GILTS PRICES

Notes	Price £	+/-	Wk %	Amt £m	Interest due	Last xd	City line
[illegible]							

Other Fixed Interest — [illegible]

مكبرا من الاصل

EURO PRICES

EQUITIES

Congress vote keeps Brazil centre stage

EUROPEAN OVERVIEW

By Bertrand Benoit

European equity markets are bracing themselves for more turbulence in Latin America this week, while concern about the deteriorating economy at home is relegated to the background.

The crisis in Brazil will remain centre stage as the government pushes more of its austerity programme through congress. The main item – a tax on bank cheques and other cash substitutes – comes before representatives on Wednesday.

"It does not seem much, but it is a crucial part of the fiscal adjustment programme," said Shaun Roach, emerging market strategist at ING Barings. "Any slippage would send a very negative signal."

Brazil's desperate attempts to curb dollar outflows – running at \$300m to \$400m a day – are certain to keep investors busy. But attention will also focus on Argentina, seen as the next weak link in the chain.

"Any interest rate hike or bank deposit shifts suggesting that dollars are beginning to flow out would be a concern," Mr Roach said. "Argentina is a bridge for currency volatility between Latin America and Asia."

The FTSE Eurotop 300 index of leading European stocks ended last week 12.99 lower at 1,180.35, while the FTSE Eurotop 100 fell 37.02 to 2,711.17. The FTSE Ebloc index of euro-zone shares lost 9.95 to 992.11.

After a relatively good week, the financial sector is set for a bumpy ride over reignited concern about its exposure to Latin America.

According to the Basel-based Bank for International Settlements, European banks, including the UK and Switzerland but excluding Greece and Portugal, have a \$209bn exposure to the region, against \$64.2bn for the US.

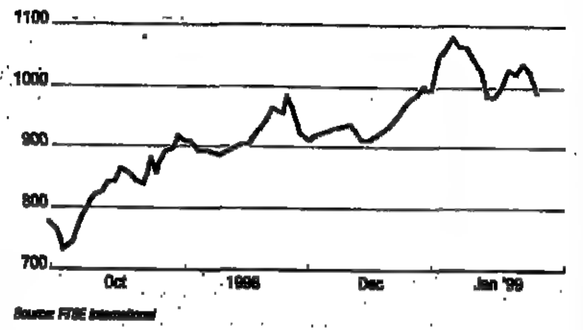
Unemployment figures and the latest business survey in France are expected to confirm that the continent's economic growth is slowing quickly.

Meanwhile, the Confederation of British Industry's industrial survey should give indications as to where the UK is heading.

The telecoms sector will also be in the spotlight. Ericsson may disappoint the market when it reports 1998 sales. Nokia and Alcatel are also publishing sales figures this week, while Rhône-Poulenc and Total are announcing full-year results.

FTSE Ebloc 100

Index



Source: FTSE International

THREE MONTH EURO FUTURES (LIFFE)

[illegible]

THREE MONTH EURO OPTIONS (LIFFE)

[illegible]

FTSE EUROTOP 100 INDEX FUTURES (LIFFE)

[illegible]

EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX)

[illegible]

OTHER INDICES

[illegible]

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

Jan 22

National & Regional Markets	Euro Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Euro) €
FTSE Eurotop 300	1180.35	-2.79	-33.85	2.30	0.38	1215.78
FTSE Eurotop 100	2711.17	-2.94	-82.05	2.38	1.65	972.43
FTSE Ebloc 100	992.11	-3.38	[illegible]	2.06	0.34	1007.40
FTSE EuroMid	1128.35	-1.38	-15.74	2.99	0.80	1169.86
FTSE EuroMid Ebloc	1179.38	-1.73	-20.79	2.37	1.17	1205.50
FTSE Eurotop Ex UK	1204.11	-1.50	-18.32	2.27	0.80	1227.21
FTSE Eurotop 300 Regions						
Eurobloc	1240.51	-3.20	-40.99	2.03	0.58	1267.62
UK	1083.30	-2.79	-31.34	2.78	0.30	1148.23
Europe Ex-Eurobloc	1130.55	-2.34	-27.12	2.60	0.22	1171.21
Europe Ex-UK	1230.30	-2.79	-35.30	2.08	0.43	1263.75
FTSE Eurotop Industry Sectors						
RESOURCES	813.43	-2.58	-21.33	3.53	0.94	851.58
Mining	726.48	-1.57	-11.82	4.77	0.00	741.82
Oil & Gas	786.42	-2.59	-20.93	3.48	0.94	806.40
BASIC INDUSTRIES	1012.19	-2.01	-20.71	2.86	0.15	1033.87
Chemicals	802.04	-2.14	-17.50	2.80	0.16	816.36
Construction & Bld Matls	843.58	-0.01	-0.12	2.74	0.00	850.97
Forestry & Paper	805.07	-5.71	-48.72	3.84	0.00	841.88
GENERAL INDUSTRIALS	1078.79	-2.56	-28.33	2.56	0.13	1101.87
Aerospace & Defence	778.02	-2.21	-17.62	2.08	0.00	788.76
Diversified Industrials	974.58	-2.70	-27.00	2.08	0.00	998.87
Electronic & Elect Equip	952.27	-1.82	-17.63	1.82	0.00	957.46
Engineering & Machinery	943.63	-3.34	-32.57	4.20	0.45	957.12
CYCLICAL CONS GOODS	1289.35	-3.45	-45.33	2.59	0.00	1304.27
Automobiles	945.84	-3.25	-31.73	2.46	0.00	954.81
Household Goods & Texts	1215.60	-4.57	-58.15	3.41	0.00	1225.98
NON-CYC CONS GOODS	1216.31	-2.15	-26.71	1.48	0.05	1249.82
Beverages	891.27	-2.98	-26.88	3.00	0.00	910.51
Food Producers & Process	886.72	-2.04	-18.49	1.74	0.00	897.15
Health	871.02	-1.33	-11.72	0.66	0.00	884.06
Packaging	731.74	-1.58	-11.80	1.23	0.00	732.65
Personal Care & Hse Prods	1054.43	-5.46	-60.84	0.82	0.00	1063.43
Pharmaceuticals	1135.48	-1.84	-21.33	1.12	0.00	1141.65
Tobacco	1423.00	-0.87	-12.43	2.78	1.42	1451.49
CYCLICAL SERVICES	1209.58	-2.83	-35.29	2.52	0.87	1245.65
Distributors	700.55	-2.98	-21.53	4.21	0.00	708.42
General Retailers	997.98	-2.91	-29.92	3.14	1.06	1019.81
Leisure Entertmt & Hotels	728.91	-4.38	-33.38	2.77	0.02	744.07
Media & Photography	1093.63	-1.68	-18.65	2.11	0.00	1105.31
Restaurants, Pubs & Breweries	787.23	-2.63	-21.24	3.80	2.64	812.84
Support Services	1067.25	-4.32	-48.21	1.38	0.00	1079.28
Transport	918.87	-2.55	-24.07	2.70	0.00	935.91
NON-CYCLICAL SERVS	1296.58	-3.56	-47.79	1.53	0.00	1334.52
Food & Drug Retailers	1009.86	-3.55	-37.18	2.04	0.00	1025.06
Telecommunications Servs	1280.59	-3.68	-47.22	1.44	0.00	1299.77
UTILITIES	1495.63	-2.12	-32.44	2.96	3.36	1589.76
Electricity	1155.67	-2.47	-29.29	3.03	3.42	1198.28
Gas Distribution	1198.07	-1.27	-15.42	1.67	1.00	1320.19
Water	984.67	-1.40	-13.23	3.33	0.00	978.86
FINANCIALS	1254.19	-3.06	-39.61	2.82	0.13	1288.58
Banks	863.29	-2.99	-28.20	3.44	0.18	865.57
Insurance	1003.44	-3.24	-33.62	1.39	0.00	1015.58
Life Assurance	1173.30	-3.21	-39.09	1.65	0.00	1190.56
Investment Companies	988.15	-1.35	-13.22	1.84	0.00	990.33
Real Estate	601.06	-1.59	-9.72	3.89	0.00	616.69
Speciality & Other Fin	843.00	-3.07	-26.68	2.66	0.00	867.06
INFORMATION TECH	893.74	-2.66	-23.55	1.20	0.00	867.80
Information Tech Hardware	922.68	-3.74	-35.89	1.44	0.00	924.88
Software & Computer Serv.	738.40	+0.57	+4.19	0.51	0.00	738.15

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FTSE EUROTOP 300

AEROSPACE & DEFENCE · AUTOMOBILES · BANKS · BEVERAGES · CHEMICALS · CONSTRUCTION & BUILDING · DISTRIBUTORS · DIVERSIFIED INDUSTRIALS · ELECTRICITY · ELECTRONIC & ELECTRICAL EQUIPT · ENGINEERING & MACHINERY · FOOD & DRUG RETAILERS · FOOD PRODUCERS & PROCESSORS · FORESTRY & PAPER · GAS DISTRIBUTION · GENERAL RETAILERS · HEALTH · HOUSEHOLD & TEXTILES · IT HARDWARE · INSURANCE · INVESTMENT COMPANIES · LEISURE ENTERTAINMENT & HOTELS · LIFE ASSURANCE · MEDIA & PHOTOGRAPHY · MINING · OIL & GAS · PACKAGING · PERSONAL & HOUSEHOLD PRODUCTS · PHARMACEUTICALS · REAL ESTATE · RESTAURANTS PUBS & BREWERIES · SOFTWARE & COMPUTER SERVICES · SPECIALITY & OTHER FINANCE · SUPPORT SERVICES · TELECOMMUNICATION SERVICES · TOBACCO · TRANSPORT · WATER

[illegible]

CURRENCIES & MONEY

EURO SPOT FORWARD AGAINST THE EURO

[illegible]

BONDS

INTEREST RATE SWAPS

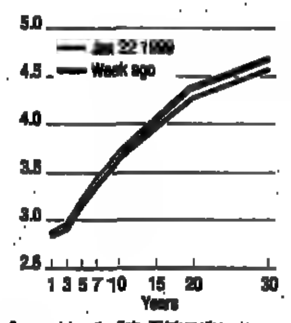
[illegible]

EURO-ZONE BONDS

[illegible]

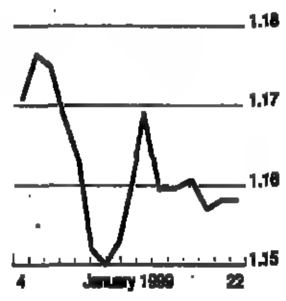
Euro bond yield curve

Per cent



Euro against the dollar

$ per €



Source: Interactive Data/FT Information

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Mkt cap£m	Last xd	City line
Allied Domecq	N	466xd	-4.6	Q25.33	1.5	4,863	2.11	[illegible]
Bulmer (HP)		309xd	-2.8	15.8	1.5	150.4	11.1	[illegible]
Burn Stewart		14½	—	–	–	8.60	10'97	[illegible]
Diageo		[illegible]	-2.3	Q19.8	1.5	23,829	5.10	2781
Glenmorangie A	†	675	—	14.45	2.6	[illegible]	21.12	[illegible]
B	†	617½	-1.2	7.22	2.5	[illegible]	21.12	[illegible]
Highland		[illegible]	-2.3	[illegible]	2.3	[illegible]	7.12	[illegible]
5¼pc Cv Sb Bd		[illegible]	-1.7	[illegible]	–	47.2	11.1	[illegible]
Kirin Y		[illegible]	-6.7	[illegible]	1.7	[illegible]	[illegible]	1119
Matthew Clark		[illegible]	—	13.8	2.3	[illegible]	2.8	2153
Merrydown		29½	—	–	–	7.65	7'97	3052
Seagram C$		[illegible]	3.5	[illegible]	–	9,861	[illegible]	–

BANKS, RETAIL

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Mkt cap£m	Last xd	City line
ABN Amro Fl		[illegible]	-4.6	[illegible]	2.2	[illegible]	21.8	1010
ANZ A$		[illegible]	0.4	[illegible]	ϕ	[illegible]	12.11	–
Abbey National	†	1299	-1.3	32.25	2.1	18,387	10.8	[illegible]
Alliance & Leicester	†	[illegible]	-8.5	22.4	2.4	4,721	7.9	[illegible]
Allied Irish £	†	[illegible]	2.3	[illegible]	2.4	[illegible]	2.3	1334
Anglo Irish £	†	[illegible]	0.6	[illegible]	3.4	404.8	30.11	[illegible]
Barclays	†	1404	4.9	[illegible]	[illegible]	21,280	17.8	1754

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING - Continued

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

FOOD PRODUCERS - Continued

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Continued

HOUSEHOLD GOODS & TEXT

INSURANCE

INSURANCE - Continued

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share indices.

	Notes	Price	Wk % ch'nge	Div net	Dividends paid	Mkt cap£m	Last xd	City line
Approved by the Inland Revenue								
Aberdeen Emg Asia	♣	21½	-8.5	–	–	8.81	–	1461
Warrants		6¼	-50.3	–	–	0.01	–	1442
Atlantis Japan Gwth Fd		237½	3.5	–	–	42.5	–	2362
Warrants		6½	11.6	–	–	0.23	–	2365
Baring Emrg Euro	♣	98¼	2.9	–	–	112.4	10.94	3080
Warrants		48	10.3	–	–	11.9	–	3861
Brazilian IT		34½	-1	Q1.1	Jul Dec	21.7	30.11	2390
Warrants		8½	-1	–	–	1.10	–	[illegible]
Central Euro Gwth	♣	42	3.1	–	–	49.1	3.95	4181
Warrants		6½	–	–	–	0.30	–	4182
East German		11¼	–	–	–	[illegible]	–	–
Egypt Trust $		643½	1.2	014c	Feb	0.32	31.03	2405
F&C Latin American $	♣	89¼	4.0	–	–	84.4	26.1	–
Warrants		30	19.1	–	–	54.1	–	3495
1st Russian Frontiers $	♣	115	8.6	–	–	4.49	–	3475
Warrants		50	33.3	–	–	17.4	–	4798
Warrants 6		48	77.8	–	–	0.60	–	4799
Five Arrows Chile		80	-1.5	–	–	0.26	–	1180
Warrants		1	-1	–	–	–	–	1213
Govett Asian Smlr	♣	64	-7.6	0.64	May	0.82	–	4835
Hambros Smlr Asian Cos	♣	22xd	-5.3	0.3c	Apr	20.0	6.4	2029
Warrants		2½	-15.4	–	–	13.5	9.11	4832
Indonesia Fund		120½	-1	–	–	0.28	–	4535
Warrants		7½	-1	–	–	12.8	–	2029
Israel Fund $		48½	5.1	–	–	0.35	–	2034
Korea-Europe $	♣	1834¼	-8.3	0.6c	Oct	97.3	3.95	4167
Korea Liberal $		118	-1	–	–	95.8	9.97	5846
Warrants		15	-1	–	–	14.4	7.92	–
Lazard Birla India	♣	32¼	11.2	–	–	0.12	–	–
Warrants		3½	12.3	–	–	17.8	–	4867
Schroder Korea Fd $	♣	347¼	-1	–	–	0.57	–	4868
Warrants $		3¼	-1	–	–	22.9	–	7267
						0.84	–	2281

Net asset values supplied by BT Alex Brown International as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Continued

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Continued

[illegible]

RETAILERS, GENERAL - Continued

[illegible]

SUPPORT SERVICES

[illegible]

PROPERTY - Continued

[illegible]

SUPPORT SERVICES - Continued

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

TELECOMMUNICATIONS

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Continued

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

TRADED INDEX SECURITIES

[illegible]

AIM

Alternative Investment Market

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the Official List.

[illegible]

AIM - Continued

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise indicated. For FTSE index constituents and reserves, last trade prices at or prior to market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS").

Net dividends are shown in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market capitalisations shown are calculated separately for each line of stock quoted.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 21.4(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- • Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Dividend adjusted for complex issue. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Dividend includes amount payable after 8/4/99. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1998-99. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1999. K Dividend based on prospectus or other official estimates for 1998. L Estimated annualised dividend. Cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). P Dividend adjusted for consolidation or share split. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xp ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1570 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Bearing Power Intl (Oth), Rolfe & Nolan (SpSv), Willington (AIM). Deletions: Dewhirst (EngV), Free State and St Barbara Mines (Extn), Haggas (J) (Text), ASI Leisure (L&H), Stag B (PP&P), Memory Corp, SEA Multimedia and Selector (AIM)

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For Retail Price Index details call 0891 43 0000.

The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

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OFFSHORE AND OVERSEAS

BERMUDA
(FSA RECOGNISED)

BERMUDA
(REGULATED)(**)

CAYMAN ISLANDS
(REGULATED)(**)

GUERNSEY
(REGULATED)(**)

GUERNSEY
(FSA RECOGNISED)

IRELAND
(FSA RECOGNISED)

IRELAND
(REGULATED)(**)

ISLE OF MAN
(FSA RECOGNISED)

ISLE OF MAN
(REGULATED)(**)

JERSEY
(FSA RECOGNISED)

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Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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LUXEMBOURG (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

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OTHER OFFSHORE FUNDS

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

AUSTRIA (Jan 22) 1 € = 13.7603 Sch

BELGIUM/LUX (Jan 22) 1 € = 40.3399 Frs.

FINLAND (Jan 22) 1 € = 5.94573 Mka

FRANCE (Jan 22) 1 € = 6.55957 Frs.

GERMANY (Jan 22) 1 € = 1.95583 DM.

IRELAND (Jan 22) 1 € = 0.78756 Punt

ITALY (Jan 22) 1 € = 1936.27000 Lire

NETHERLANDS (Jan 22) 1 € = 2.20371 Fl.

PORTUGAL (Jan 22) 1 € = 200.48200 Esc.

SPAIN (Jan 22) 1 € = 166.38600 Pta.

EUROPE (NON-EMU)

CZECH REP (Jan 22 / Koruna)

DENMARK (Jan 22 / Kr)

GREECE (Jan 22 / Drachma)

NORWAY (Jan 22 / Kroner)

POLAND (Jan 22 / Zloty)

SWEDEN (Jan 22 / Kronor)

SWITZERLAND (Jan 22 / Frs.)

TURKEY (Jan 18 / Tk Lira)

PACIFIC

JAPAN (Jan 22 / Yen)

HONG KONG (Jan 22 / H.K.$)

INDONESIA (Jan 15 / Rupiah)

MALAYSIA (Jan 22 / MYR)

NEW ZEALAND (Jan 22 / NZ $)

SINGAPORE (Jan 22 / S$)

SOUTH KOREA (Jan 22 / Won)

TAIWAN (Jan 22 / TW $)

THAILAND (Jan 22 / Baht)

AUSTRALIA (Jan 22 / Aust$)

AMERICAS

CANADA

TORONTO (Jan 22 / Can $)

MONTREAL (Jan 22 / Can $)

MEXICO (Jan 22 / Peso)

AFRICA

SOUTH AFRICA (Jan 22 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JANUARY 22 1999 US Dollar Index	%chg since 31/12/98	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	Local % chg from 31/12/98	Gross Div. Yield	THURSDAY JANUARY 21 1999 US Dollar Index	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	208.23	4.5	186.82	150.21	207.02	218.57	1.1	3.36	211.08	189.47	151.05	209.85	219.22	219.96	163.86	199.37
Austria (21)	165.27	–10.3	148.12	118.23	144.99	144.99	–8.1	2.40	170.70	153.21	122.15	149.73	149.73	233.73	165.27	181.50
Belgium (22)	409.04	–2.4	365.59	295.08	351.34	351.34	–1.0	1.92	416.34	373.89	297.92	357.56	357.56	446.85	263.71	283.71
Brazil (32)	98.52	–25.9	88.30	71.07	97.85	306.48	3.7	2.95	100.70	90.39	72.06	100.11	313.27	289.34	89.32	222.50
Canada (116)	205.48	3.1	184.15	148.23	204.29	228.15	2.0	1.74	207.12	185.90	148.21	205.89	227.44	248.78	158.94	200.51
Denmark (34)	489.51	–2.1	438.71	353.13	486.68	427.50	–1.2	1.64	494.89	444.19	354.14	491.96	432.09	537.33	420.12	469.42
Finland (29)	624.17	8.5	559.39	450.27	672.45	672.45	10.0	1.49	651.11	584.41	465.92	701.39	701.39	661.25	291.57	294.02
France (75)	325.77	–0.4	291.97	235.01	289.42	289.42	0.9	2.17	335.71	301.32	240.23	298.21	298.21	354.45	237.48	237.48
Germany (55)	275.97	–1.8	247.33	199.08	242.27	242.27	–0.4	1.34	283.01	254.02	202.52	249.43	249.43	325.61	226.35	227.93
Greece (36)	382.31	9.9	342.84	275.80	380.10	762.35	9.2	1.11	384.25	344.88	274.96	381.98	767.73	388.53	211.47	–
Hong Kong, China (67)	290.37	–5.5	260.24	209.47	288.69	288.88	–5.5	4.24	301.37	270.50	215.65	299.59	299.79	362.55	198.64	292.10
Indonesia (26)	43.43	–13.4	38.92	31.33	43.18	238.44	–2.5	1.28	44.68	40.10	31.97	44.41	238.44	64.52	19.04	32.33
Ireland (16)	572.13	3.8	512.75	412.73	548.18	548.18	5.2	1.78	584.00	524.17	417.90	559.49	559.49	605.85	396.15	413.78
Italy (53)	169.13	–5.5	151.58	122.01	211.17	211.17	–4.1	1.32	173.16	155.42	123.91	216.17	216.17	192.64	126.91	127.73
Japan (445)	100.21	–0.3	89.81	72.29	99.63	72.29	0.9	1.03	101.79	91.37	72.84	101.19	72.84	109.73	76.83	101.92
Mexico (29)	1040.98	–8.8	932.95	750.96	1034.96	11609.20	–6.0	2.21	1036.40	930.23	741.63	1030.29	11682.77	1733.73	767.15	1542.07
Netherlands (26)	497.45	–6.1	445.82	358.86	431.99	431.99	–4.8	2.19	521.11	467.72	372.89	452.48	452.48	582.73	394.92	412.07
New Zealand (18)	64.82	9.9	58.10	46.76	64.45	64.04	8.0	4.56	66.30	59.51	47.44	65.91	64.97	77.84	45.88	74.69
Norway (37)	231.32	5.4	207.31	166.87	229.98	233.88	3.0	2.46	234.22	210.23	167.60	232.84	236.37	357.71	181.86	295.42
Philippines (22)	90.90	0.6	81.48	65.57	90.37	175.08	0.0	0.84	95.61	85.82	68.42	95.05	181.78	106.98	42.48	68.43
Portugal (18)	267.48	4.1	239.72	192.96	318.90	318.90	5.5	1.04	272.52	244.60	195.01	322.84	322.84	289.39	194.13	–
Singapore (41)	220.22	1.9	197.37	158.87	218.95	170.44	3.7	1.67	225.31	202.29	161.23	223.98	173.80	246.74	102.45	175.01
South Africa (38)	185.95	0.9	166.65	134.15	184.88	244.88	3.3	3.87	187.51	168.30	134.18	186.41	246.47	346.20	151.55	254.19
Spain (30)	388.93	–3.3	346.77	279.13	421.10	421.10	–1.9	1.93	399.81	358.85	286.09	435.07	435.07	436.19	290.81	292.76
Sweden (44)	522.61	4.1	468.37	377.01	519.59	598.20	–0.7	1.91	531.32	476.89	380.20	528.18	608.50	628.19	379.18	466.01
Switzerland (30)	408.82	–1.9	364.60	293.48	404.47	348.51	–1.3	1.23	411.02	368.91	294.12	408.60	352.97	441.65	307.73	343.28
Thailand (34)	24.48	3.2	21.94	17.66	24.34	35.03	4.7	2.70	26.06	23.39	18.64	25.90	36.91	33.84	8.15	20.68
United Kingdom (207)	374.97	–0.8	336.05	270.50	372.80	336.05	–0.3	2.93	384.04	344.70	274.81	381.78	344.70	401.84	307.96	338.68
USA (615)	505.14	–0.3	452.71	364.40	502.21	505.14	–0.3	1.29	508.94	456.80	364.19	505.94	508.94	525.31	390.12	392.94
Americas (792)	448.06	–0.4	401.58	323.24	445.49	380.43	–0.3	1.32	451.46	405.21	323.06	448.80	383.29	466.36	347.59	355.57
Europe (733)	355.55	–1.5	318.65	256.49	353.50	323.52	–0.7	2.09	364.63	327.27	260.92	362.48	332.01	386.24	282.63	283.73
Eurobloc (345)	103.46	–2.4	92.72	74.63	98.30	98.30	–7.2	1.76	106.63	95.70	76.30	101.30	101.30	113.92	81.53	–
Nordic (144)	507.93	4.3	455.22	366.42	505.00	502.19	2.2	1.79	519.47	466.25	371.72	516.41	513.64	555.97	360.04	413.06
Pacific Basin (729)	107.84	–0.2	96.65	77.80	107.22	80.88	0.5	1.55	109.76	98.52	78.54	109.11	81.69	119.49	82.89	108.64
Euro–Pacific (1462)	210.79	–1.1	188.92	152.05	209.57	172.01	–0.3	1.94	215.70	193.60	154.35	214.43	175.71	221.79	166.00	185.84
North America (731)	484.91	–0.2	434.58	349.81	482.10	485.93	–0.2	1.31	489.57	439.51	349.61	485.88	489.56	504.30	374.92	380.51
Europe Ex. UK (526)	333.51	–1.8	298.90	240.59	331.58	307.65	–0.9	1.68	342.24	307.16	244.80	340.22	315.70	369.32	260.93	263.11
Europe Ex. Eurobloc (388)	98.45	–0.5	88.44	69.58	95.90	85.31	–0.4	2.45	99.39	88.31	70.41	97.81	97.36	103.95	77.40	–
Europe Ex. UK Ex. Eurobloc (181)	98.41	0.1	88.19	70.99	97.84	93.52	–0.6	1.45	99.55	89.35	71.24	98.97	94.78	109.21	75.16	–
Pacific Ex. Japan (284)	181.95	0.0	163.06	131.28	180.89	185.56	–1.1	3.53	186.57	167.46	133.51	185.47	189.07	218.04	128.26	176.71
World Ex. Eurobloc (1947)	104.34	–0.4	105.09	88.50	103.74	102.84	–0.2	1.57	105.53	108.46	89.79	104.91	103.72	108.05	83.09	–
World Ex. US (1677)	209.74	–1.1	187.97	151.30	208.52	176.82	–0.2	1.95	214.43	192.46	153.44	213.16	180.49	221.91	165.95	188.57
World Ex. UK (2085)	298.21	–0.7	267.27	215.13	296.49	265.30	–0.3	1.45	302.21	271.25	216.25	300.43	268.57	311.48	236.11	246.41
World Ex. Japan (1847)	406.70	–0.8	364.49	293.39	404.35	395.94	–0.4	1.67	412.54	370.27	295.20	410.10	401.64	427.99	320.58	330.84
The World Index (2292)	304.85	–0.7	273.21	219.92	303.09	271.68	–0.3	1.60	309.27	277.59	221.31	307.45	275.61	318.51	242.36	254.22

 CONSTITUENT CHANGES DURING THE WEEK ENDING 22/1/99: Deletion: Southam (Canada). Name change: Bolswessanen to Wessanen NV (Netherlands). Market closed 22/1/99: Indonesia.

Emerging markets:

IFC investable indices

Dollar terms

Jan 21 Market		Day's % chg	% Chg since 31/12/98
Latin America			
Argentina	700.97	–6.9	–12.1
Brazil	208.25	–10.1	–24.3
Chile	414.31	+0.2	–8.2
Colombia[1]	383.97	–1.5	–12.6
Mexico	439.58	–2.5	–8.7
Peru[2]	130.68	–2.3	–2.8
Venezuela[3]	376.48	–1.7	–17.0
East Asia			
China[4]	23.29	–1.2	–11.0
India[7]	69.86	+3.5	+8.8
Indonesia[5]	22.18	–2.6	–8.4
Korea[6]	54.50	–5.4	+2.8
Malaysia	96.49	+3.5	+9.0
Pakistan[8]	88.52	+0.4	–5.3
Philippines	130.87	–0.3	+8.3
Sri Lanka[10]	78.94	+0.2	–4.2
Taiwan, China[9]	117.16	+0.5	+1.2
Thailand	68.72	–3.0	+8.8
Europe			
Czech Rep	50.47	–0.7	–0.6
Greece	693.95	+0.2	+10.4
Hungary[11]	283.13	–2.3	+4.5
Poland[12]	575.80	+2.4	+10.0
Portugal	311.08	+1.1	+6.5
Russia	23.55	+1.3	+0.4
Slovakia	43.52	–1.3	–0.2
Turkey[13]	135.16	+0.1	–7.6
Mideast/Africa			
Egypt	71.71	+3.0	+11.2
Israel	104.84	–2.1	+2.6
Jordan	222.40		+2.7
Morocco	174.89	+2.7	+4.3
S Africa[15]	128.34	–2.0	+2.5
Zimbabwe[16]	99.94	+0.5	–5.1
Regions			
Composite	181.65	–2.2	–2.7
Latin America	360.44	–4.7	–14.1
Asia	108.51	–2.0	+1.4
EMEA	119.22	–0.4	+4.3
Europe	157.98	+0.3	+5.4
Easte Europe	90.87	–0.1	+4.7
ME & Africa	56.27	–1.4	+3.1
Comp + Malay	186.86	–1.8	–1.9
Asia + Malay	111.26	–0.6	+3.0

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 2 1992; (6)Jan 4 1991; (7)Nov 8 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Sep 2 1993; (16) July 2 1993.

Latest indices were unavailable for this edition.

4 pm close January 22

NEW YORK STOCK EXCHANGE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Extel, part of FT Information

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. ¶ Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Jan 22	Jan 21	Jan 20	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Industrials	9120.67	9264.08	9335.91	9643.32 (8/1/99)	7539.07 (31/8/98)	9643.32 (8/1/99)	41.22 (8/7/32)
Home Bonds	106.49	106.40	106.32	107.17 (9/12/98)	104.42 (11/5/98)	107.17 (9/12/98)	54.99 (1/10/81)
Transport	3083.80	3094.81	3111.42	3686.02 (16/4/98)	2345.00 (8/10/98)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	308.73	306.99	304.51	320.51 (8/10/98)	262.66 (9/1/98)	320.51 (8/10/98)	16.53 (8/7/32)

DJ Ind. Day's high 9269.31 (9479.83) Low 9088.89 [illegible] (Theoretical)
Day's high 9264.59 (9377.38) Low 9088.49 (9228.55) (Actual)

Standard and Poors	Jan 22	Jan 21	Jan 20	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Composite‡	1225.19	1235.16	1256.62	1275.09 (8/1/99)	927.69 (9/1/98)	1275.09 (8/1/99)	4.40 (1/6/32)
Industrials¶	1479.02	1489.81	1518.17	1530.43 (6/1/99)	1077.40 (5/1/98)	1530.51 (6/1/99)	3.52 (30/6/32)
Financial¶	128.37	130.27	132.21	147.68 (14/7/98)	95.80 (8/10/98)	147.68 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	583.75	588.03	596.09	611.06 (8/1/99)	477.20 (8/10/98)	611.06 (8/1/99)	4.64 (25/4/42)
Amex Comp	704.69	704.99	712.37	753.67 (22/4/98)	563.75 (8/10/98)	753.67 (22/4/98)	524.20 (18/7/96)
NASDAQ Cmp	2338.88	2344.72	2415.49	2415.49 (20/1/99)	1419.12 (8/10/98)	2415.49 (20/1/99)	54.87 (3/10/74)
Russell 2000	422.44	424.05	430.62	491.41 (21/4/98)	310.28 (8/10/98)	491.41 (21/4/98)	123.36 (7/12/93)

■ RATIOS

	Jan 15	Jan 8	Dec 31	Year ago
Dow Jones Ind. Div. Yield	1.64	1.58	1.66	1.77
	Jan 20	Jan 13	Jan 6	Year ago
S & P Ind. Div yield	1.12	1.14	1.11	1.47
S & P Ind. P/E ratio	38.80	37.95	39.11	26.31

US DATA

■ MARKET ACTIVITY

■ Volume (million)	Jan 22	Jan 21	Jan 20
NYSE	777.791	870.405	905.740
Amex	24.106	25.281	31.834
NASDAQ	1020.29	1087.95	1288.06

NYSE	Jan 22	Jan 21	Jan 20
Issues Traded	3,540	3,553	3,557
Rises	1,226	1,139	1,483
Falls	1,818	1,988	1,583
Unchanged	496	485	[illegible]
New Highs	24	52	130
New Lows	69	56	49

■ NYSE TRADING ACTIVITY Volume : 777,791,000

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
IBM	17,872,500	179¾	−17⅞
AmOnLine	13,121,400	140	−7⅞
Compaq	10,636,500	45	−1¼
PhilMorr	8,033,100	46½	+⅞
Iomega Cp	8,023,700	8	−1⅜
LucentTch	8,015,500	103	−3⅜
BectnD	7,591,200	33	−3⅛
AT&T	7,557,400	85¼	+⅞
Coca C	6,465,900	60	−⅜
Citgrp	6,324,000	51⅝	−⅜

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
CilwayGlf	12¾	+2	+18.8
Advest Grp	21	+2	+10.5
Sotheisys	39	+2⅝	+7.1
Gallion	10½	+⅝	+7.0
Downs			
IBM	179¾	−17⅞	−8.8
HydMar	12½	−1⅛	−8.7
BectnD	33	−3⅛	−8.5
MitChm	12	−1⅛	−8.5

■ NASDAQ TRADING ACTIVITY Volume :1,020,287,000

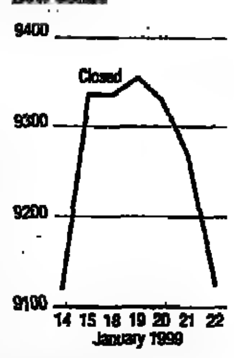
■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Amz.com	21,869,800	123	+17
Intel	21,844,500	128⅝	−4⅝
Micsft	20,528,900	156¼	−2⅛
BMC Softw	18,587,600	43	+5⅝
Cisco Cp	18,196,800	22	+4⅛
CiscoSys	16,448,300	102	+1⅛
SunMic	[illegible]	[illegible]	−⅛
DellComp	13,638,900	83	−1⅛
Sybase Inc	11,896,100	10	+1⅛
MCIWcm	11,503,800	74⅝	+1

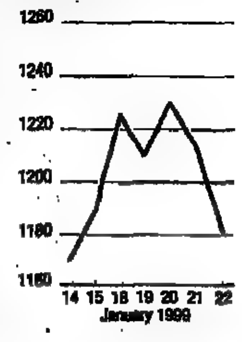
■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
[illegible]	22	+4	+22.6
Sybase Inc	10	+1⅛	+20.4
Amz.com	123	+17	+16.0
[illegible]	[illegible]	+3	+15.2
Downs			
WindRvSy	32	−17	[illegible]
C-Cube	22⅝	−7	−23.8
JetFest	14	−3⅜	−19.4
HumanGnmSc	21⅝	−3⅛	−11.3

Dow Jones



FTSE Eurotop 300



JAPAN

FRANCE

GERMANY

UK

INDEX FUTURES

■ S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	1234.40	1231.50	−1.50	1243.80	1222.00	111,545	368,260
Jun	1239.00	1243.00	−1.50	1255.00	1235.50	480	7,381
■ Nikkei 225	**Open**	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open int.**
Mar	14280.0	14130.0	−170.0	14420.0	14090.0	31,100	189,752
Jun	14200.0	14130.0	−90.0	14250.0	14130.0	19	30,172

Open interest figures for previous day

■ CAC-40 (200 x index)	Open	Sett Price
Jan	4095.0	4096.0
Feb	4104.0	4045.5
■ DAX		
Mar	5119.5	5024.0
Jun	5129.5	5050.0

WORLD MARKETS AT A GLANCE

Country	Index	Jan 22	Jan 21	Jan 20	1998/99 High	1998/99 Low	Yield	P/E
Argentina	General	15336.08	15359.93	16172.50	23485.50 23/3/98	12303.10 10/9/98	4.69	10.9
Last minute burst took bolsa higher on expectations of extra Brazilian measures to shore up economy.								
Australia	All Ordinaries	2848.4	2852.0	2872.7	2897.30 7/1/99	2458.20 1/9/98	3.07	22.3
	All Mining	576.0	581.3	589.9	713.10 23/4/98	499.80 31/8/98		
India	BSE Sens.	3297.88	3329.93					
	Crisil 500	668.89	670.80					
Investors took profits and squared positions in volatile trading.								

THE NASDAQ-AMEX MARKET GROUP

4 pm close January 22

AMEX

4 pm close January 22

EASDAQ

FT GUIDE TO THE WEEK

MONDAY 25

Spotlight on Kosovo

The crisis in Kosovo and the ambitious Agenda 2000 project for reform of the European Union's finances and its agricultural and structural funds will be the main topics for discussion by EU foreign ministers at their monthly meeting in Brussels today. Diplomats do not rule out moves to toughen sanctions against Slobodan Milosevic, the Yugoslav president, following the deaths of 45 ethnic Albanians in Racak village 10 days ago. The Agenda 2000 discussions are likely to see a vigorous exchange over proposals from the German EU presidency to cut spending on agriculture. There is no expectation that Bonn's ideas will be approved by all 15 EU member states.

Banana dispute debate

The dispute settlement body of the World Trade Organisation meets in Geneva and is due to debate the banana trade war between the US and the European Union. The US has threatened to impose sanctions on EU exports from February 1, but hopes of a settlement rose over the weekend after Renato Ruggiero, WTO director-general, proposed a peace formula. The agenda also includes four EU requests for dispute panels.

WHO executive meets

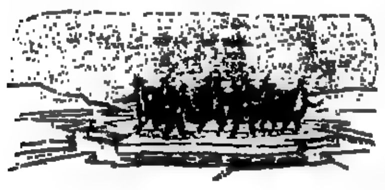
The 32-strong executive board of the World Health Organisation meets in Geneva for the next two weeks to discuss the reforms introduced by Gro Harlem Brundtland, its new director-general, and the WHO's budget for 2000-01. The board will also consider Dr Brundtland's tobacco-free and anti-malaria initiatives, a revised drug strategy for member countries and progress on the drive to eliminate polio by 2000.

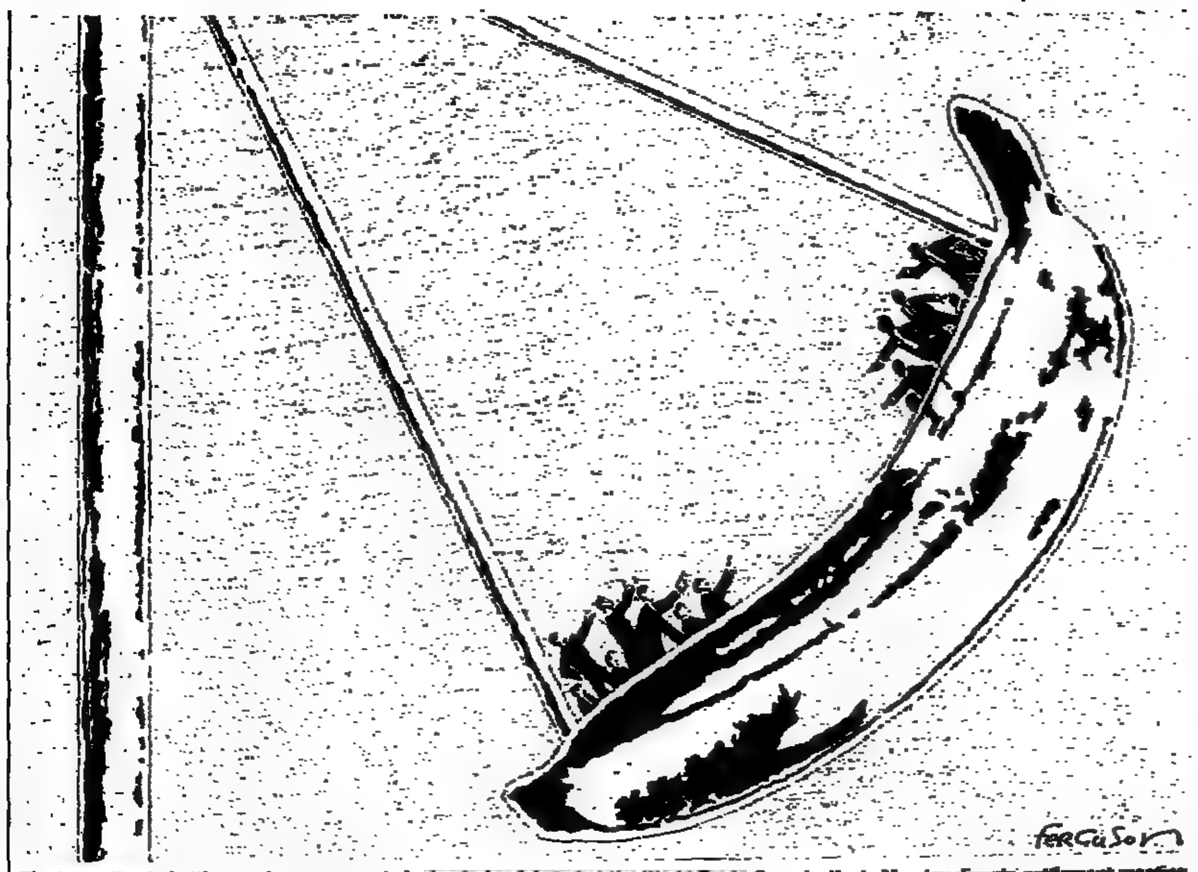
Curbing pollutants

Negotiations on an international treaty to ban or restrict emissions of so-called persistent organic pollutants (pops) continue this week in Nairobi under the auspices of the United Nations Environment Programme. The treaty, which countries hope to adopt next year, already deals with 12 pesticides and industrial byproducts, including DDT, dioxins and polychlorinated biphenyls (PCBs).

Cold logic

New Zealand hosts the first inter-governmental meeting in Antarctica, at Scott Base. All 26 Antarctic Treaty nations are invited to the meeting, which will focus attention on the frozen continent and its fragile ecology (to January 28).





The transatlantic battle over banana exports is due to be debated at the World Trade Organisation's Monday dispute settlement meeting

Albright visit

Madeleine Albright, US secretary of state, visits Moscow for talks with senior Russian officials. Relations between Moscow and Washington are still tense following the latest air strikes against Iraq, which Russia strongly opposed, and threatened Nato intervention in the Serb province of Kosovo.

Senate call

The US Senate is scheduled to debate motions on whether or not to dismiss the case against Bill Clinton, the president, or to call witnesses in his impeachment for perjury and obstruction of justice.

Leadership challenge

Likud, the ruling Israeli political party, holds primary elections in the battle for its leadership, currently held by Benyamin Netanyahu. A run-off will be held on February 4 if needed.

Indonesian aid

International donors will reveal details of a financial aid package for Indonesia at a meeting in Jakarta. Indonesia wants help to pay interest on government bonds it has issued to back the recapitalisation of banks.

Chretien's Warsaw trip

Jean Chretien, the Canadian prime minister, leads a trade delegation to Warsaw.

Kozlov steps down

Andrei Kozlov, first deputy chairman of the Russian central bank, leaves to open his own commercial bank. Kozlov, who announced his decision on January 12, was one of the chief architects of the government's ill-fated treasury bill scheme.

UN meets Taleban

A United Nations mission is due to arrive in Kandahar, Afghanistan for meetings with Taleban representatives on regional security and the progress of inquiries into the murder of three UN staff.

Sri Lankan polls

Local elections are scheduled in Sri Lanka amid increasing violence, notably in the north-western province of Wayamba, where the governing People's Alliance is hoping to unseat the opposition UNP from one of its traditional strongholds.

Lost property

The United Nations Education, Scientific and Cultural Organisation holds a meeting in Paris of the "intergovernmental committee for promoting the return of cultural property to their countries of origin or their restitution in the case of illicit appropriation". Discussion will focus on the creation of a fund for the recovery of such property and the use of modern technology to find it.

Council of Europe

The parliamentary assembly of the Council of Europe is scheduled to meet in Strasbourg. Debates are expected to include reports on the project for a greater Europe, membership for Georgia, the creation of a post for a human rights commissioner and the election of an assembly president.

On the menu

The United Nations' Food and Agriculture Organisation's agriculture committee meets in Rome. It will review progress on a policy document for the next 15 years, hear a report on farm animal genetics and discuss papers on biotechnology and land and water resources.

FT Survey

Business Education.

Holidays

Brazil, New Zealand.

TUESDAY 26

German power play

Gerhard Schröder, the German chancellor, hosts talks in Bonn between ministers and energy industry executives to discuss plans for phasing out nuclear power. The decision has proved one of the most controversial issues since the government took office, provoking a split between the chancellor's Social Democratic Party and the Greens, the junior coalition partner, and soured relations with France and Britain which have valuable contracts to reprocess nuclear waste from German reactors.

Call for arms

The collection of illegally-held weapons begins in the Gramsh region of Albania under a pilot scheme financed by the United Nations Development Plan which provides improvements in local infrastructure in return for the surrender of arms.

Economic report

The Organisation for Economic Co-operation and Development releases its economic survey of Belgium and Luxembourg.

Holidays

Uganda, Australia, India.

WEDNESDAY 27

CAP reform vote

European Commission proposals for reform of the Common Agricultural Policy will be put to the vote on the second day of a two-day plenary session of the European parliament that starts in Brussels today. Debate on the first day will include the prospects for greater EU-wide co-operation on arms policy and the development of a comprehensive partnership with China.

Anan flies in

Kofi Anan, United Nations secretary-general, makes an official two-day visit to Belgium where he will meet representatives of the European Commission and visit Nato headquarters for talks with Javier Solana, secretary-general, on current peacekeeping operations and the Nato summit scheduled for April.

Caribbean caucus

Heads of government of the Organisation of Eastern Caribbean States meet in Dominica where their discussions are expected to cover the continuing banana imports dispute between the US and the EU and progress on introducing more competition into telecommunications in the region (to January 29).

Human face of business

Top officials from United Nations and other humanitarian agencies and chief executives from leading multinational companies hold the first Business Humanitarian Forum in Geneva. The

aim of the meeting is to "explore possibilities for mutual support" with a discussion of the relationship between humanitarian work and business investment, including rehabilitation and reconstruction following war or natural disasters.

THURSDAY 28

Davos forum

The annual meeting of the World Economic Forum, which brings together senior business and political figures to discuss the state of world affairs, begins in Davos (to February 4). Some 2,000 heads of government, bankers, businessmen, scientists and academics will attend, and Kofi Anan, United Nations secretary-general, will visit as part of a European tour.

Nazi gold hearing

Deutsche Bank and Dresdner Bank are scheduled to appear at the first court hearing in New York into the alleged theft by banks of assets owned by Jews during the Holocaust.

Asean meeting

Senior economic officials from the Association of Southeast Asian Nations meet in Jakarta for three days of discussions focusing on regional economic instability.

Cyprus trial

The trial of Uri Argov and Yisreal Damari, two alleged Israeli secret agents, is scheduled to begin in Cyprus.

FT Survey

FT 500.

FRIDAY 29

Russian budget

The 1999 Russian budget gets its third parliamentary reading. A final reading is scheduled for February 4.

No party

Indonesia's draft bill on politics is scheduled to be ratified. The bill makes it illegal for civil servants to join political parties and is aimed at preventing corruption ahead of this year's planned elections.

FT Surveys

Global Investment Banking; Global Business Outlook.

SATURDAY 30

FT Survey

Quarterly Review of Personal Finance (UK editions only).

Holiday

Azerbaijan.

SUNDAY 31

Rights report

The US annual country reports on human rights practices are due to be released to Congress.

Holiday

Mauritius.

Compiled by Roger Beale
Fax 44 171 873 3196

ECONOMIC DIARY

Other economic news

Tuesday: A UK business survey, the quarterly CBI industrial trends report, is likely to record an increase in optimism in January, although confidence remains depressed by historical standards.

Wednesday: The UK's balance of trade in goods with the rest of the world is likely to show a continued deterioration in exports, with the deficit for November widening from £1.6bn to £2.1bn.

Thursday: US jobless figures are likely to show an underlying increase, suggesting that labour market conditions may be about to weaken. Japanese industrial production in December is thought to have been weak, down by 0.3 per cent month on month, with a large annual fall in vehicle output dragging on the overall index.

Friday: US gross domestic product is believed to have risen an annualised 4.4 per cent in the fourth quarter, driven by booming consumption and investment, according to HSBC. Consumer spending is thought to have risen at least 4 per cent.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	Dec supermarket sales**		0.5%
Jan 25	Japan	Dec department store sales**		-2.0%
	Canada	Nov intl' securities transactions	C$0.9bn	C$0.7bn
	US	Dec existing homes sales		4.90m
	US	Dec treasury budget		$-17.1bn
	Japan	Dec BoJ corporate services price**		-0.8%
	Japan	Dec BoJ corporate services price		-0.1%
Tues	France	Dec consumer price index*	0.0%	0.0%
Jan 26	France	Dec consumer price index**	0.3%	0.3%
	UK	Jan cons' bus' index monthly trends		
	UK	Q1 cons' bus' index quarterly trends		
	US	BTM-Schroders 23rd Jan		0.3%
	US	Jan consumer confidence	126.5	126.1
	US	Redbook 23rd Jan		1.9%
Wed	Italy	Dec hourly wages**	2.3%	2.3%
Jan 27	UK	Nov global visible trade	£-2.1bn	£-1.6bn
	UK	Dec ex-EU visible trade	£-1.7bn	£-1.8bn
	Japan	Dec industrial production	0.0%	-2.1%
	Japan	Dec shipments		-2.1%
	Japan	Dec retail sales**	-5.3%	-1.5%
	Japan	Jan WPI (2nd 10 days)		-0.6%
Thurs	Australia	Q4 consumer price index	0.4%	0.2%
Jan 28	Australia	Q4 underlyng inflation	0.5%	0.4%
	US	Q4 ECI - civilian†	0.9%	1.0%
	US	Q4 ECI - civilian**		3.7%

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
	US	Dec durable orders	0.5%	1.0%
	US	Dec durable shipments		0.6%
	US	Initial claims 23rd Jan	340k	345k
	US	State benefits 16th Jan		2,249k
	Canada	Dec industrial production*	-0.1%	0.0%
	Canada	Dec raw materials	-1.5%	-2.5%
	Canada	Dec department store sales*	0.7%	-0.6%
	Canada	Nov fix-weight employ earnings**	2.8%	3.0%
	US	M2 week ended 18th Jan	$11.5bn	-$6.3bn
Fri	Japan	Dec unemployment rate	4.4%	4.4%
Jan 29	Japan	Dec Job offers/seekers ratio	0.46	0.47
	Japan	Jan consumer price index**	0.6%	0.8%
	Japan	Jan cons' price index ex-perishables**	-0.2%	-0.3%
	France	Dec unemployment rate	11.5%	11.5%
	France	Dec jobseekers*	-0.2%	-0.4%
	EMU	Dec harmonised consumer price index*	0.0%	0.0%
	EMU	Dec harmonised**	0.8%	0.9%
During the week...				
	Germany	Dec Icon consumer climate		103
	Germany	Dec import prices*	-0.5%	-0.4%
	Germany	Dec import prices**	-6.1%	-6.8%
	Germany	Dec M3 from Q4 97 base	5.3%	5.3%
	Japan	Jan trade balance (1st 10 days)		Y503bn
	EMU	Dec M3**		4.55

*month on month, **year on year † quarter on quarter

Statistics, courtesy Standard & Poor's MMS.

MONDAY PRIZE CROSSWORD
No.9,896 Set by DANTE

A prize of a Tombow Lucca fountain pen and rollerball set, worth £125, will be awarded for the first correct solution opened. Solutions by Thursday February 4, marked Monday Crossword 9,896 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday February 8. Please allow 28 days for delivery of prizes.

Name__________

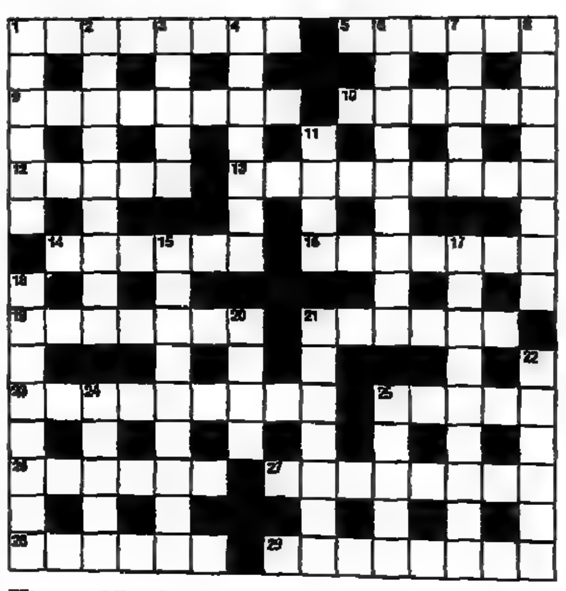
Address__________

ACROSS

1 Public union leader about to make a proposal (8)
5 Scholar regrettably rejected an Arab's greeting (6)
9 Points to case for a drug (8)
10 Humble cleric takes me in (6)
12 She may not know many people well (5)
13 Dark autumn evening (9)
14 Oddly veined salad plant (6)
16 Works with figures, perhaps (7)
19 Terribly idle now, so retire (3,4)
21 I'm Kate, about to achieve success (4,2)
23 Always on the go, remaining fresh and vital (9)
25 Not bound to relax (5)
26 First service (6)
27 Relaxed, with lowered pulse (8)
28 It shows a certain delicacy of feeling (6)
29 Swell position for a batsman (8)

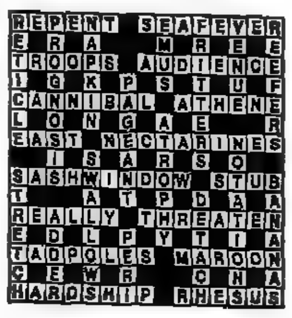
DOWN

1 Vocally in top form? (2,4)
2 Continuing power of the creed, a nun is reinvigorated (9)
3 It comes in the tax (5)
4 Retaliation is one way to get even with Reg, perhaps (7)
6 Astounded prospector is lucky, we hear (9)
7 Pole in space, a scene of much action (5)
8 To show greater indulgence may be stupid (8)
11 Bird droppings? (4)
15 In love and caring fantastically – it's a sort of chemistry(9)
17 Oil lamp he trimmed for Nightingale (9)
18 Civic dignitary plants tree on isle (8)
20 Born in Paris, died in penury (4)
21 Rainy day in the near future (7)
22 Annoy with stinging words? (6)
24 Unusually wide (5)
25 Vessel found in the kitchen bin, perhaps (5)



Winner of Puzzle No.9,884: S.P. Datta, London W4

Solution 9,884



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FINANCIAL TIMES SURVEY

BUSINESS EDUCATION

MONDAY JANUARY 25 1999

Next issue: March 29 1999

Rankings can both help and rankle

Courses can cost $100,000 or more, so students need guidance on finding value. The FT's MBA league tables will provide that, says **Della Bradshaw**

From kindergartens to graduate schools, rankings have become an accepted way of life in the education business. Nowhere is this more true than in the world of business schools, where an increasingly sophisticated and discerning buying public regularly invest $100,000 and more to study for an MBA at one of the world's most highly-rated schools.

Rankings are either loved or loathed. They can be treated as a frivolity, something of mere passing interest, or something which affect career decisions or even careers themselves.

But whether a one-day wonder or an eagerly-awaited two-yearly listing, most business school deans agree that rankings undoubtedly influence potential applicants.

Donald Jacobs, long-standing dean of the Kellogg school at Northwestern University, one of the schools that has benefited enormously from rankings in the US, believes league tables do play an important role in providing information. Schools which score highly in rankings get the pick of the applicants, he says. "They use rankings as a way of determining what it is they are buying."

Nonetheless, he injects a note of scepticism. "Clearly the value is greatest among those people who have the least amount of information."

One reason business school rankings are so difficult to compile, and why different rankings produce such different results, is that there is no real consensus on how to measure the success of the product. With secondary or high schools, for example, published exam results give clear indicators about which schools are producing the best qualified individuals. But while a French Baccalaureat from one school is the same as a Baccalaureat from another, or SATs, the college entrance examinations in the US, are viewed as a standard indicator across the country, one MBA degree is very clearly not the same as another.

A whole range of data has been collected over the years to analyse how business schools perform – how companies rate the schools; how many job offers each MBA student gets; what salaries the new MBAs earn. Change the criteria, and the rankings will change, too.

One of the biggest criticisms of rankings, therefore, is that they inevitably oversimplify a very complex market. Ray Wild, director at Henly Management College in the UK, believes rankings are an unsatisfactory method of judging schools, but believes the business schools themselves must bear some blame.

With some 3,000 MBA programmes available worldwide, he argues that there is a need for more basic information on courses, which could now be made available on the internet. "Business schools should recognise the problem and do something about it," he says.

Needless to say, there is a raft of further complaints against rankings. One is that rankings can only rank one element of a business school's work. By far the most popular rankings have concentrated on the full-time MBA programmes (as does the Financial Times ranking). Although this may give some indication of the quality of a school's part-time MBA as well, it may be of little relevance to students who want to study on a distance learning MBA programme, which is the one of the fastest-growing sectors. It can also only have a fleeting relevance, too, to the quality of executive education programmes.

Second, even within one sector – say the full-time MBA – there are concerns that courses are so different as to defy comparison – the "apples and oranges" offensive. How can a one-year programme at Insead or IMD, in Europe, compare with a two-year programme at Harvard or Wharton, runs the argument.

A ranking of the best full-time MBA programmes – even a ranking of 50 of them – inevitably only scratches the surface of the MBA market.

The latest and most fashionable criticism relates to the accuracy of the data collected from the schools. In the US, cheating and lying have replaced weightings and values as the two of the most commonly-uttered phrases when business school faculty get together to discuss rankings.

A further concern is that schools can swing up and down the rankings from year to year based on "noise" in the way data is collected. Schools do not change, say the critics, only the rankings.

The aim of the Financial Times ranking of full-time MBA programmes is to determine which business schools are equipped to prepare the international managers of the 21st century.

It compares schools from North America (the US and Canada) and Europe, using a range of criteria intended to span the differences between the two MBA cultures. Indeed, one finding of the survey was that MBAs in North America and Europe are surprisingly similar in age (27 or 28), gender (mainly men), and have similar aspirations, although the North American MBA confessed more openly to wanting to profit financially from an MBA than his or her European counterpart.

At the heart of the ranking is the value each MBA programme commands for its graduates in the market today, based on the salaries earned by alumni who graduated in 1995.

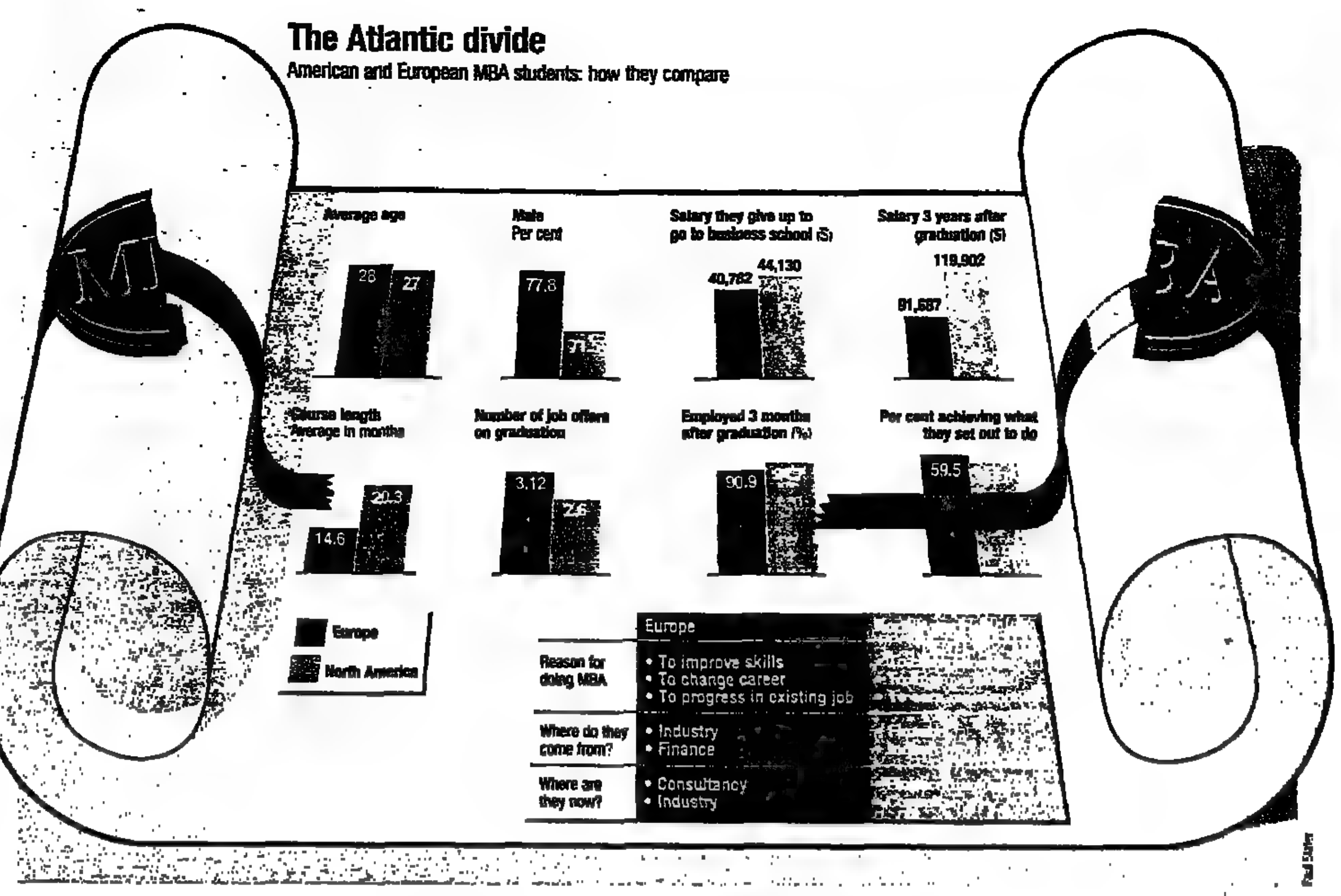
They were asked about their salaries before study, in their first job, and today, three years after graduation. (The data was collected between September and December 1998.) They were also asked to assess their career progression based on a grid of job function and company size. Combined with this is data supplied by the schools on job offers and patterns of employment.

In addition, we have analysed which business schools are producing the best new ideas in management thinking through research and which are geared up to provide an international management agenda.

At the end of the day there are certain things rankings can never measure, such as which business school is right for which student. Leo Murray, director of Cranfield School of Management, in the UK, says: "How do you rank chemistry and atmosphere? Anyone who goes to do an MBA without visiting the place first needs their head examined."

The Atlantic divide

American and European MBA students: how they compare



Inside

WINNERS AND LOSERS by Della Bradshaw

US salaries provide incentive

America for the dollars, but European schools come out on top in providing the best international environments

International views: European schools tend to have a good mix of students

"When I decided to do an MBA I considered all the top-ranked business schools in the US, and Insead, and LBS as well. I decided on LBS so that I could spend two years living in London." So says an American alumnus of London Business School who graduated with his MBA in 1995. Although LBS may not be particularly flattered by his rationale, he is typical of a growing number of would-be MBAs.

If they have to travel hundreds of miles, change houses, and spend $100,000 or more in the process, why attend a business school in their own country? With the international agenda proving increasingly important in management education, many business schools in the US and Europe are seeing the number of international applications increasing.

By combining European and North American schools in a single ranking, the Financial Times survey of full-time MBA programmes highlights where North American business schools shine and where their European counterparts prove attractive.

If it is salaries that is the big incentive, then US business schools win hands down, with Harvard topping the salary table. The average 1995 alumnus from Harvard now earns $170,346, and that is basic salary without bonuses. He or she is closely followed by alumni from Wharton ($152,407) and Stanford ($140,479). The bulk of those alumni work in the US, but the countries where alumni earn the highest salaries are Hong Kong and Australia, followed closely by the US, UK and Germany.

Only one European school, IMD in Lausanne, Switzerland, comes into the top 10 of salaries with an average $129,362. A further two European schools, Insead, in Fontainebleau and Ashridge Management College in the UK notch up places in the top 20.

When it comes to increases in salaries – that is, how much more an alumnus of the Class of 95 earns today than before starting the MBA programme – European schools fare even worse.

Study at Columbia, in New York, for two years and then work for three years and your salary will be, on average, 203 per cent higher than before you started your MBA. Again, that is before a fat bonus for working hard on Wall Street. For alumni at Dartmouth the increase is 191 per cent. Of the European schools, only Spain's Instituto de Empresa can boast similar increases (183 per cent), but from a much lower base. London Business School is the only other European school in the top 20, sitting in 18th position (142 per cent).

Where the European schools do well is in providing an international environment, of both students and faculty. In terms of international students, all top 10 slots are filled by European schools, with IMD (Lausanne), RSM Erasmus (Rotterdam), and Insead (Fontainebleau) leading the way. All three schools are among the top runners for international faculty, too, though McGill, in Montreal, Thunderbird, the Anderson school at UCLA and UC Irvine all have a very international mix.

Babson College has the highest proportion of women on the faculty, 35.5 per cent, followed by Cranfield in the UK, with 30.8 per cent. Female students, on the other hand, flock to the Weatherhead school and the Stern school at New York University, where, in both cases, 43 per cent of the MBA class are women. Overall, women in the Class of 95 now earn less than their male peers. The average salary for a male alumnus was $107,521, while his female counterpart earned $94,519.

If value for money is one of the main criteria for your choice of an MBA than look no further than Canada. All three of the Canadian schools in our survey, McGill University, the Rotman school at the University of Toronto, and the Ivey school at the University of Western Ontario, earned a place in the top 10 schools for value.

Overall, the Financial Times ranking included 31 US schools, eight UK ones, three each from France and Canada, two Spanish schools, two schools form the Netherlands, and one from Switzerland. The ranking confirmed London Business School, Insead, and IMD as the top three European schools, appearing in eighth 12th and 13th places respectively.

The ranking also confirmed that one-year programmes from schools such as IMD and Insead can compete effectively in the marketplace with the two-year programmes from the Harvards and the Whartons of the world. These days alumni from the Class of 95 at IMD earn more, on average, than their peers from Darden, Yale, Michigan, Duke and Cornell.

At the top of the table Harvard was clear winner, having scored well across the board. Just a fraction of a point separated Columbia in second place and Stanford in third, while Wharton was close behind in fourth. Columbia won its place through strong salaries and salary increases, while Stanford scored very high points on research.

As to the Class of 95 themselves, by far the most important reason they cited for studying an MBA was to change career – this held true across all nationalities. To earn more money was also a factor, particularly in the US. But when asked what that they had gained most from their MBA programme, the overwhelming answer was self-confidence. Change of career and higher salaries were rarely mentioned.

THE RANKINGS by Parminder Bahra

Schools and MBAs make their points

The FT table measures performance on a relative, rather than an absolute, basis. In some cases more than 50 per cent of the Class of '95 students responded to the questionnaire

The ranking of the best MBA programmes (full-time) was compiled from data collected from two questionnaires: one from business schools, and one from alumni of the Class of '95. Nearly 14,000 questionnaires were sent to all alumni of the full-time MBA programmes (not a sample) who graduated in 1995. The response rate for the 50 schools averaged 28.2 per cent. Five schools, Amos Tuck, IMD, EAP, Instituto de Empresa and Cranfield, had a response rate of more than 50 per cent.

The FT Business Education table measures performance on a relative, rather than an absolute, basis. The top business school in a single category is awarded a maximum 100 points and the rest a proportion of this.

We made two transformations to the salaries data. First, non-US dollar denominated salaries were converted using purchasing power parity (PPP) exchange rates estimated by the OECD to eliminate price distortions between countries. Second, extremely high or low figures were omitted.

The salaries criterion shows the current salary earned by the Class of '95 today. The figure in brackets is a weighted salary adjusted for salary variation between industry sectors. The weighted salary is used in the ranking.

The percentage increase measures the percentage increase in weighted salaries from the start of the MBA programme to 1998.

Value for money is a short-term indicator and measures the time taken to recover all costs, including lost salaries.

Career progress measures the extent to which alumni have progressed measured by size of company and level of seniority.

Alumni were asked for their main reasons for doing an MBA. Aims achieved shows the percentage who fulfilled their aims.

The job offers per student category calculates the average number of job offers per student for 1998 graduates and placement success estimates the percentage of students that took up employment with a company introduced by the business school. It excludes students who set up on their own or returned to their employer.

The employed at three months criterion measures the percentage of 1998 graduates with jobs three months after completing their MBA.

For the alumni recommendation students were asked to recommend an MBA other than their own. This is presented as a percentage of all responses.

A sub-ranking of these nine criteria is presented in the MBA course ranking column and constitutes 69 per cent of the total.

The next five categories measure the diversity of business schools and carry 15 per cent of the total marks. The total scores are summarised in the MBA diversity ranking.

Figures for women and international faculty are presented as a percentage of all teaching full-time faculty. The women and international student figures are as a percentage of total intake for the last academic year.

The languages criterion indicates which schools require more than one language for admission.

The final three criteria assess the school's performance in research and account for 16 per cent of the total. The faculty with PhD notes the percentage of faculty with a doctorate. The PhD graduate rating is made up of the number of PhD students graduating in the last year with an added weighting for those PhDs who take up faculty positions in one of the 50 top schools (adjusted for faculty size).

The research rating is made up of three indicators. The largest (80 per cent of the research rating marks) is academic research, assessed by a peer review committee of deans and academics across eight subject areas. The panel included Jeffrey Garten, dean at Yale; Dipak Jain, associate dean for academic affairs at Kellogg; John Kay, dean of Said Business School, Oxford; Antonio Borges, dean at Insead; Margaret Neale, associate dean for academic affairs at Stanford; and Carlos Cavallé, dean at Iese.

A further 10 per cent went on "impact" research, articles published in three leading business magazines; Harvard Business Review, Sloan Management Review, and the California Management Review.

The final 10 per cent went on case studies. Marks were given to the top 10 North American cases sold in Europe and the top 10 European cases sold into the US. Cases were selected by the number of unique adoptions for each case. (Source: European Case Clearing House).

The research ranking, adjusted for faculty size, is the last column of the table.

Leagues of their own: the top ten schools in each category

	European salaries today (unweighted)	European salary increases (unweighted)	North American salaries today (unweighted)	North American salary increases (unweighted)	Aims achieved	Research	International faculty	Women students
1	IMD	Instituto de Empresa	Harvard Business School	Columbia	Instituto de Empresa	Harvard	IMD	Weatherhead* (Case Western Reserve)
2	Insead	London Business School	Pennsylvania (Wharton)	Dartmouth (Amos Tuck)	EAP	MIT (Sloan)	Insead	NYU* (Stern)
3	Ashridge Management College	Esade	Stanford Graduate School	University of Iowa	RSM Erasmus	London Business School	McGill University	Berkeley (Haas School)
4	London Business School	Ashridge Management College	Dartmouth (Amos Tuck)	Yale SOM	Nijenrode University	Stanford	London Business School	Thunderbird
5	EAP	HEC	Chicago GSB	University of Virginia (Darden)	University of Georgia (Terry)	Berkeley (Haas)	EAP	Georgetown (McDonough)
6	IESE	Insead	Columbia Business School	Vanderbilt (Owen)	Cornell (Johnson)	Chicago	RSM Erasmus	Ashridge Management College
7	Manchester Business School	Lancaster University	UCLA (Anderson)	University of Western Ontario (Ivey)	MIT (Sloan)	Duke (Fuqua)	Thunderbird	McGill University
8	Imperial College Management School	Manchester Business School	Northwestern (Kellogg)	Cornell (Johnson)	Dartmouth (Amos Tuck)	Insead	City University Business School	City University Business School
9	City University Business School	IMD	MIT (Sloan)	Chicago	University of Western Ontario (Ivey)	Northwestern (Kellogg)	UCLA (Anderson)	Columbia
10	Cranfield School of Management	Iese	UNC (Kenan-Flagler)	University of Georgia (Terry)	University of Virginia (Darden)	Columbia	UC Irvine	University of Toronto (Rotman)

Source: FT Survey *Joint first

مكرر من الاصل

s and MBAs
heir points

Chicago

Financial Times top 50 business schools

Full-time MBA programmes in North America and Europe

Rank	School name	Country	Total score	Salaries ($) Today	(Weighted)	% Increase**	Value for money*	Career progress*	Aims achieved (%)	Job offers per student	Placement success*	Employed at 3 mths	Alumni recom-mends (%)	Int'l faculty (%)	Women faculty (%)	Int'l students (%)	Women students (%)	Languages	Faculty with PhD (%)	PhD graduate rating*	Research rating*	MBA course ranking	Diversity ranking	Research ranking
1	Harvard Business School	US	76.1	170,346	(132,874)	208	28	42	55	3.3	88	98	15.63	32	16	26	30	0	98	24	100	1	35	2
2	Columbia Business School	US	70.8	140,133	(123,046)	236	72	48	52	5.0	76	98	1.77	39	19	28	36	0	98	31	47	3	19	9
3	Stanford Graduate School	US	70.6	140,479	(124,413)	175	48	54	61	3.0	77	99	21.95	23	14	30	30	0	100	61	77	4	44	4
4	Pennsylvania (Wharton)	US	69.1	152,407	(125,436)	193	55	64	62	3.2	88	100	16.91	23	14	32	30	0	100	21	40	2	43	14
5	MIT (Sloan)	US	68.1	133,315	(120,344)	150	50	24	68	3.3	78	98	2.58	25	15	37	27	0	100	90	68	12	37	1
6	Chicago GSB	US	65.9	140,281	(115,761)	195	31	52	56	3.0	86	98	5.49	26	12	32	22	0	99	40	63	6	47	6
7	Northwestern (Kellogg)	US	63.6	135,188	(116,882)	155	53	54	55	3.4	89	99	7.99	32	21	25	32	0	100	45	47	9	25	8
8	London Business School	UK	62.8	112,754	(111,516)	149	50	29	58	3.0	66	89	3.90	60	11	83	25	0	94	63	79	24	8	3
9	Dartmouth (Amos Tuck)	US	62.6	140,296	(131,168)	193	67	39	86	3.0	100	99	2.73	18	15	25	31	0	95	0	34	5	46	29
10	UCLA (Anderson)	US	62.3	138,853	(105,566)	184	74	32	46	3.2	73	96	1.44	41	15	22	38	0	99	35	40	8	29	11
11	Insead	France	62.1	115,127	(108,290)	130	76	52	63	3.2	71	95	5.93	86	12	88	16	1	90	9	48	20	1	12
12	Cornell (Johnson)	US	61.6	111,886	(102,165)	210	51	58	88	2.8	77	95	0.33	24	27	28	26	0	94	28	31	7	28	22
13	IMD	Switz.	61.4	129,362	(113,510)	117	86	87	83	2.5	64	99	1.73	95	3	96	16	1	96	0	30	15	2	33
14	UC Berkeley (Haas)	US	60.8	117,330	(108,000)	130	71	63	57	3.0	80	90	0.66	25	15	34	38	0	100	39	74	22	26	5
15	Duke (Fuqua)	US	60.4	116,662	(103,333)	174	51	28	51	2.8	77	99	1.77	31	27	27	32	0	100	22	59	19	20	7
16	University of Michigan	US	59.1	121,842	(100,174)	194	59	33	55	3.5	85	83	2.10	21	19	27	30	0	100	22	22	10	36	35
17	NYU (Stern)	US	59.1	125,093	(113,812)	166	62	55	61	2.0	69	97	0.68	29	16	31	43	0	100	23	35	16	22	19
18	Emory (Goizueta)	US	58.9	125,355	(111,895)	184	42	60	50	12.7	56	98	0.04	29	27	33	31	0	93	0	31	11	16	32
19	Virginia (Darden)	US	58.4	116,772	(109,959)	177	38	41	65	2.7	76	99	1.99	11	27	21	29	0	95	19	42	14	39	16
20	Yale SOM	US	57.8	114,574	(106,826)	175	50	51	63	2.2	80	96	0.22	34	10	27	34	0	98	15	42	17	36	15
21	Rochester (Simon)	US	56.8	97,828	(93,754)	198	54	56	62	3.0	84	95	0.04	33	11	46	23	0	80	38	22	13	34	37
22	UNC (Kenan-Flagler)	US	56.1	125,976	(101,366)	182	36	55	55	2.5	71	87	0.92	13	26	24	27	0	96	40	24	18	41	26
23	Iese	Spain	56.0	104,677	(77,825)	175	42	60	60	1.8	74	98	0.77	14	7	49	24	1	86	18	35	21	32	24
24	Instituto de Empresa	Spain	53.7	84,142	(81,093)	147	43	100	75	3.2	89	96	0.04	33	23	42	35	1	39	0	16	23	9	48
25	University of Iowa SOM	US	52.6	87,709	(86,930)	138	71	77	84	2.4	46	98	0.04	26	17	33	25	0	99	17	25	27	40	20
26	University of Western Ontario (Richard Ivey)	Canada	52.4	91,019	(97,014)	154	72	48	66	2.5	72	93	1.36	15	15	30	30	0	97	19	22	26	45	38
27	Carnegie Mellon	US	52.1	98,504	(91,408)	140	41	47	65	4.5	78	90	0.63	32	14	42	24	0	90	46	16	26	30	39
28	UC Irvine	US	52.1	100,926	(83,733)	151	60	34	35	2.7	74	94	0.11	41	30	22	25	0	100	0	31	30	21	30
29	Imperial College Management School	UK	51.3	94,494	(86,223)	84	100	74	43	3.0	27	100	0.11	33	21	59	26	0	84	100	26	35	14	10
30	Southern Methodist (Cox)	US	51.0	107,178	(107,576)	129	42	50	60	2.4	73	98	0.07	15	26	23	28	0	85	0	29	29	31	40
31	RSM Erasmus	Netherlands	50.3	83,880	(93,682)	83	27	66	70	3.5	92	95	0.15	56	25	92	26	0	75	41	26	41	3	28
32	Vanderbilt (Owen)	US	50.0	97,543	(90,285)	137	20	53	53	2.4	61	96	0.18	23	14	28	24	0	98	28	37	31	49	17
33	Manchester Business School	UK	49.5	95,179	(87,488)	110	20	52	64	2.0	63	85	0.15	26	9	70	28	0	74	76	34	36	23	13
34	Georgetown University	US	49.4	90,334	(88,379)	119	42	74	42	2.8	66	93	0.04	28	25	31	37	0	95	0	29	34	15	39
35	McGill University	Canada	48.7	83,403	(74,816)	99	85	98	55	2.0	38	95	0.22	63	29	54	36	0	77	19	22	40	4	44
36	University of Toronto (Rotman)	Canada	48.1	101,918	(99,307)	82	75	73	64	2.0	72	94	0.07	13	18	24	36	0	98	30	16	32	42	42
37	Ashridge Management College	UK	47.7	113,083	(113,803)	141	69	33	50	3.0	56	75	0.04	23	28	40	36	0	11	0	2	28	13	50
38	University of Georgia (Terry)	US	47.5	75,369	(79,600)	134	100	9	68	2.3	78	96	0.04	6	18	21	21	0	83	29	31	33	50	28
39	Weatherhead SOM (Case Western)	US	46.6	77,643	(77,394)	76	49	43	65	3.0	60	98	0.07	31	18	62	43	0	95	32	31	46	11	21
40	Cranfield School of Management	UK	46.5	93,825	(90,414)	88	49	49	56	4.0	44	95	0.77	26	31	40	24	0	55	20	28	38	17	43
41	Babson College	US	46.5	89,986	(88,223)	106	42	32	57	3.0	40	91	0.29	15	35	31	29	0	97	0	31	42	18	31
42	Warwick Business School	UK	46.1	77,054	(74,950)	95	37	31	57	5.0	31	95	0.85	22	26	55	31	0	55	86	22	46	12	27
43	University of Pittsburgh (Katz)	US	46.1	84,526	(83,097)	81	73	36	53	2.5	51	96	0.04	28	21	34	30	0	99	49	30	44	24	18
44	City University Business School	UK	46.0	94,056	(77,739)	98	40	30	38	1.6	15	87	0.07	47	23	65	38	0	79	50	28	50	5	23
45	HEC	France	45.6	84,113	(88,039)	107	34	71	57	2.2	60	90	0.22	11	11	51	19	1	75	29	19	37	33	45
46	EAP	France	45.3	111,039	(88,682)	97	36	9	74	2.5	26	95	0.04	55	21	84	16	0	50	0	7	39	7	49
47	Thunderbird	US	44.4	77,080	(71,929)	101	39	36	54	2.0	44	95	0.22	48	28	47	37	0	87	0	15	48	6	47
48	Lancaster University Management School	UK	44.3	71,855	(86,057)	78	83	50	60	2.3	42	96	0.04	13	23	80	32	0	56	72	16	49	10	41
49	Nijenrode University	Netherlands	43.7	80,233	(86,139)	79	54	50	66	3.0	49	90	0.11	21	10	66	26	0	52	15	30	43	27	46
50	Pennsylvania State University (Smeal)	US	42.6	79,220	(77,553)	101	51	27	46	12.8	56	92	0.04	14	16	24	30	0	100	33	19	47	48	34

* Top score=100

** Percentage increase from start of MBA to today

† Financial Times estimate

Only schools that have run a full-time MBA programme for more than three years are eligible to participate in the ranking. This excludes the Said Business School in Oxford and the Judge Institute in Cambridge, both of which have had a full-time MBA for less than three years. Two schools, Henley Management College in the UK and the University of Texas in Austin, chose not to participate in the ranking.

The most striking aspect of the ranking is the pattern of clustering among the schools. On the criteria selected by the Financial Times, Harvard Business School is out in front of the field. Five of the powerful research-driven international US schools - Columbia, Stanford, Wharton, the Sloan school at MIT and Chicago are in the next band. With only a few small changes in the data any of these schools could move up into second place or down into sixth position. The next group of 17 schools, down to Iese, are strong, established schools, many with a first-rate international outlook. Only 7.6 points separate all 17, fewer points than separate the top six places. The fourth grouping comprises 27 schools and is the most tightly packed of all. Just 11.2 points separate the whole group. If the same survey were run in a year's time it would not be surprising to see some of these schools move four or five places, simply on the basis of alumni reporting higher or lower salary figures. However, schools in this band would have to work very hard to move up a group and rank alongside the likes of Duke, Darden or Dartmouth.

Source: FT

PROFILE
HARVARD BUSINESS SCHOOL

On offer is a fast-track course – and an e-mail address to keep for life

Dean Kim Clark has been highly praised for the curriculum he introduced at Harvard AP

In the early 1990s, Harvard Business School was under fire, accused of being stuffy and out of touch.

Since then it has come back strongly, and is now widely regarded as one of the most innovative and forward-looking business schools in the world.

Dean Kim Clark, who took over in 1995, has brought in a highly-praised new curriculum, a successful 16-month fast-track, and developed one of the best business school IT systems in the world.

Harvard Business School is big. Its MBA programme takes in nearly 900 students. About 650, in two separate "cohorts", start the programme each September, with the remainder joining the fast-track programme in January.

All students take exactly the same curriculum – two terms of required courses followed by two terms of electives. HBS is dropping the terms "first year" and "second year" because of the January cohort.

This stream completes two terms of required courses by August – no summer internship – and after a three-week break goes straight into two terms of elective courses.

This two-entry system, HBS claims, allows rapid curriculum innovation. Changes introduced successfully in one intake can be added to the other within a year.

Perhaps the biggest change at HBS in recent years has been the ubiquitous use of information technology. Since January 1996 HBS has delivered web-based video over the HBS intranet to both MBA students and executives on short courses.

Built around open internet standard protocols, the system delivers assignments and the growing number of electronic cases as well as allowing faculty-student interaction.

All courses use web technology to deliver materials and assignments and provide on-line forums for students. Electronic cases incorporate video sequences and hot links to the Internet.

On-line lists of events and important notices may be accessed from any location in the world.

Students receive a lifelong HBS electronic mail address to allow Internet-based communication while on campus and throughout their professional lives to help them stay in touch with one another and the school.

All alumni – HBS has 66,000 in 130 countries – also have a lifelong e-mail forwarding address so they can stay better connected with the school and with their classmates. More than 18,000 alumni are using this system.

Career services also uses technology in areas such as self-assessment materials and information, alumni mentors, student mentors and placement data.

The school has responded strongly to charges that it has lacked international approach by boosting its global presence and resources.

In 1998 it opened an Asia-Pacific Research Office in Hong Kong that which will increase opportunities for faculty to spend extended periods in the region with a stronger, more co-ordinated resource base.

Over the next few years HBS plans similar offices in other key regions, though already it claims to have researchers at work in more than 40 countries and has an established research centre in Menlo Park, California to help develop case materials and research projects in Silicon Valley.

HBS also has a strong research base with a research and course development programme that soaks up more than $50m a year. About 50 per cent of the budget goes on international studies, 25 per cent of which focuses on non-American companies.

Typically, faculty spend about half of their time on research. The output of this research effort includes case studies, working papers, articles in both scholarly and practitioner-oriented periodicals, books, videos and multimedia products.

In 1997, more than 5m HBS cases were purchased by more than 6,000 academic institutions and corporations. Around 600 new cases and other teaching materials are created each year.

HBS and the Committee of 200 (C200), a national organisation of women business executives, have announced an initiative that will highlight the leadership role women play in businesses and workplaces around the globe. The goal is to develop HBS cases focusing on important management issues involving women business leaders.

HBS comprises 27 buildings and swish faculty offices. But faculty and students mix regularly at Shad Hall, which combines a fitness centre, ball courts, cafeteria and IT labs.

The landmark Baker Library building is undergoing extensive refurbishment. Harvard has begun yet another building, scheduled to open in the summer of 2000.

In addition to offering students an informal environment for studying individually or in small groups, this new campus centre will also provide space for student meetings, guest speakers, social events and receptions.

It will house dining facilities and a small number of commercial operations such as a bookstore, business and travel centres, and a post office.

The majority of MBA administration staff will have offices in the campus centre, enabling students to conduct many transactions in one area.

George Bickerstaffe

Harvard Business School

Full-time MBA intake per year	1001	Course length in months	18
Percentage of international students	26	Number of electives courses	66

"I continue to be amazed and thrilled with the opportunities and assistance I have received through the Harvard Alumni Network. The depth and breadth of the network make it unparalleled among business schools"

US alumnus

RESEARCH by Richard Donkin

Published work helps to boost league ratings

The future of a business school no longer lies just with the quality of its teaching but also in the quality of its applied research

Why do business schools need to do research? Doesn't it get in the way of teaching, and isn't there enough knowledge out there already on how to run a business?

Those contemplating an MBA programme might be forgiven for asking such questions. They do, after all, expect to leave their business schools with a good grasp of the fundamentals involved in running a business.

But they also want an MBA that means something. When seeking a new job they may find varying attitudes towards MBAs and business schools. Possessing an MBA is one thing, but employers will also ask where it comes from.

The schools themselves are aware of this, and in what has become an increasingly competitive sector they are constantly striving to achieve or maintain prominence. One of the most historically successful ways to do this has been to make room for the best thinkers in their field. This means that academics are encouraged to undertake and publish new research. The research, in turn, attracts kudos to the school.

The practice has become an accepted form of measuring business school success in the UK under the Higher Education Funding Council's Research Assessment Exercise (RAE) for business schools carried out every four or five years. This evaluates schools and departments for their research output and rates them.

The highest ratings in the last exercise were achieved by London Business School, Lancaster University and Manchester School of Management at the University of Manchester Institute of Science and Technology (UMIST). All received ratings which put their research output on a par with the best schools internationally. Apart from the kudos, the ratings are also linked to the council's funding scale.

Cary Cooper, BUPA professor of organisational psychology at UMIST chaired the last Research Assessment Exercise in 1996 and will also chair the next one in 2001. He says that the quality of research had risen markedly at the time of the last assessment.

"A quarter of the UK business schools achieved ratings of four or five, compared with about four schools in the exercise held four years previously," he says. "Those ratings put them in the top drawer of business schools from a research point of view.

"There is no doubt that the prominence now given to these ratings has encouraged all business schools to aim higher than before in terms of research output and quality."

The need for good research output is stressed by Nigel Nicholson, professor of organisational behaviour at London Business School. "We like to have research that links all the elements of the business school, that doesn't just stand alone," he says.

The school uses research at several different levels. Some of it is focused at problem finding in business. "We try to look below the surface into things business might not have thought about. We might look, for example, at the wider behaviour of markets, or the behaviour of customers towards brands."

The school also carries out what Prof Nicholson calls "integrating research". "This is the way business runs, it's organisational behaviour, strategy and relationship to leadership and business performance," he says. The school tries to ensure that most of its research is international, interdisciplinary and, perhaps most importantly, applied. "This means that it fits into the classroom. A lot of our best researchers are also our best teachers," he says.

This last point highlights one of the biggest fears of those who worry that too much emphasis on research can undermine teaching quality. David Norburn, director of Imperial College Management School, London, says that concerns for research have sometimes eclipsed the need for academics to demonstrate teaching expertise.

In the US, he says, the way to safety of tenure in many schools was to mine your PhD research exhaustively, publishing paper after paper for three or four years until you were offered tenure in year five. "If you got the best teacher award you were never given tenure," he says. "The idea was to write lots of articles designed to conform to a certain incestuous peer group template.

"By the age of 33 you might be a long time away from teaching. You might have been doing nothing longitudinal – it takes too long – but lots of cross-functional analysis and you have soon forgotten what the research is for and forgotten about your students. I think that most people are empty husks at the end."

He worries about the increasing influence of the RAE in the UK which, he claims, has led to soccer-style transfers of top academics as the exercise approaches so that the recruiting schools can benefit from the points that will be attracted by an academic's last three or four years of research.

"It's the number of articles in journals that people have heard about that counts," says Prof Norburn. "The RAE is driving too many people in their formative academic years. One loses the balance of the highly capable lecturer who, for example, can teach basic marketing very well."

These fears are recognised in the business school community. Teacher ratings have been introduced in the UK, although they are not yet linked to funding. "One problem is that teacher ratings can be subjective," says Prof Cooper. "Research is important. If all I do is read textbooks for my undergraduates and MBA students, I am not going to develop my thinking. It is important to know what is happening and the way things are changing."

Few would disagree. The need to balance research with skilled interpretation in the classroom, however, has become a high priority in most top business schools. "I think it's a very important thing in our school to achieve not only balance between research and teaching but integration," says Kim Clark, dean of Harvard Business School. That's where we get the real power that comes out of building knowledge, pursuing a kind of research that feeds into the teaching programme in an integrated way."

Harvard has built its reputation on pursuing business case studies which form the basis for classroom discussion and theoretical work. "We see our classroom as an integral part of the discovery process," says Prof Clark. It really works both ways because what goes on in the classroom is a stimulus to research. When it works you get synergy between teaching and research."

Academics must demonstrate skills beyond those of a researcher to gain promotion at Harvard. Besides research, they are also judged on the quality of their course development and teaching, both to MBA students and general managers.

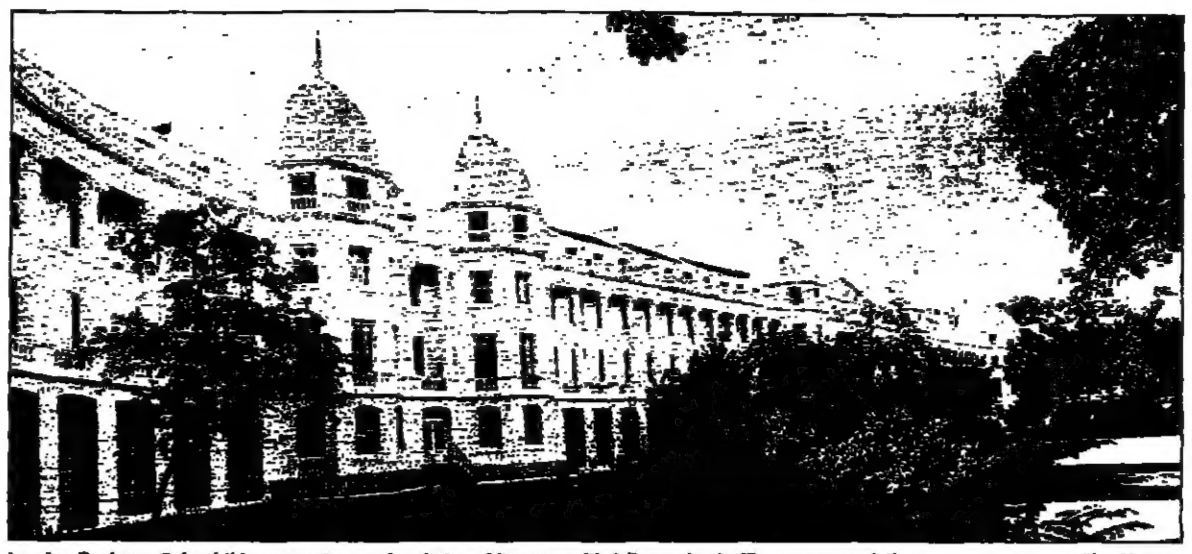
The differing approaches of business schools and concerns for teaching would suggest that research ratings, in spite of their success in raising the quality of research, need to be viewed in context with a school's reputation for teaching. Reputations are earned in different ways, and employers are becoming increasingly aware of the complexities surrounding measurement and review.

مكتبة من الاصل

ENTREPRENEURSHIP by John Authers

Agreed definition eludes the academic community

Schools have continued to expand in the area, largely in response to potential students' demand



London Business School this year set up an incubator of its own, with fully serviced office accommodation. Alan Harper

Entrepreneurship is established in the marketing brochures of business schools. However, there are still questions over whether it has been established as a rigorous academic discipline.

As George Daly, dean of New York University's Stern school, puts it: "Entrepreneurship is a phrase in search of a meaning."

Different schools seem to have different concepts of what entrepreneurship education should be, some offering nuts and bolts training in the intricacies of building a start-up business, others offering wider courses which can allow their students to bring "entrepreneurial" flair to large organisations.

The discipline also suffers from the widespread feeling that true entrepreneurship depends on individual character.

Research at Calgary University, which has been running entrepreneurship courses for more than 25 years, showed that students who had taken the courses were statistically less likely to start up businesses than average members of the Canadian population – suggesting that the courses were actually having a deterrent effect.

But schools have continued to expand in the area, largely in response to potential students' demand. According to Mr Daly: "A huge mega-corporation which would have been the dream employer a few years ago, isn't the dream employer any more. There's a substantial likelihood now that students considering a job may have had one or both parents who've been downsized out of such an organisation.

"They see the mega-corporation as a lumbering bureaucracy which makes false promises. On the other hand, something in Silicon Alley is very very exciting to them."

Faced with the need to cater for budding entrepreneurs, schools are attempting to make the concept more concrete. At Stern, despite Mr Daly's reservations, the number of separate entrepreneurship courses has doubled in the past two years. This has been done by focusing hard on entrepreneurial finance – the mechanics of dealing with venture capital groups and so on – along with a study of economic history.

Stern is also attempting to make use of the "New York deal flow", finding placements for the students with the area's venture capital and private equity managers, and allowing them to help with start-up companies first-hand.

Other schools have taken the concept of work experience even further, and attempted to set up "incubators" for graduates and their start-up companies. This is a concept borrowed from science and engineering departments, which often provide facilities to help their scientists convert promising research and discoveries into marketable propositions.

All the main centres of high technology in the US – in the San Francisco Bay Area, greater Boston, the North Carolina "Research Triangle" and in Austin, Texas – are centred around universities. In the UK, Warwick and Durham universities also offer extensive help for small companies.

Now the idea is to use the same concept for managers as well as scientists. At UCLA's Anderson School, scientists with ideas to develop are put in touch with business students.

London Business School this year set up an incubator of its own, buying fully serviced office accommodation, and charging £400 per person per month – drastically undercutting standard office rates for central London. The school also has an interest in a venture capital group which can offer financing. According to John Bates, who has masterminded the project for the school, student demand was strong, with 85 per cent of London Business School MBA students saying they wanted to be running their own business within five years of graduating.

The incubator can choose from business plans developed during the school's "new venture development" course, one of four it runs in entrepreneurship. This has produced about 60 potential business plans, according to Mr Bates, which are now being evaluated as possible investments.

The objective is to provide the students with the help needed to start a company, and take it to the stage where they can raise sums measured in millions, rather than thousands.

The first business to be incubated by the school is Iglu.com, an internet company for arranging ski trips. Many other plans are also internet-related, and Mr Bates says the project will concentrate on media and technology companies, but there is a variety.

Plans under consideration include a clinic for open heart surgery, drawn up by a student who is also a heart surgeon, and an on-line legal services company, drawn up by a lawyer who modelled the proposal on cheap US legal services which advertise using toll-free telephone lines.

Beyond finance and office space, the school is also laying on a council of advisers, who are successful entrepreneurs from ventures ranging from Psion to Classic FM.

But the motives are not entirely educational. If the project is successful, it should generate money for London Business School, as well as for its youthful entrepreneurs. As Mr Bates puts it: "The impetus is to invest in our own product. Long term this is about building an endowment for London Business School."

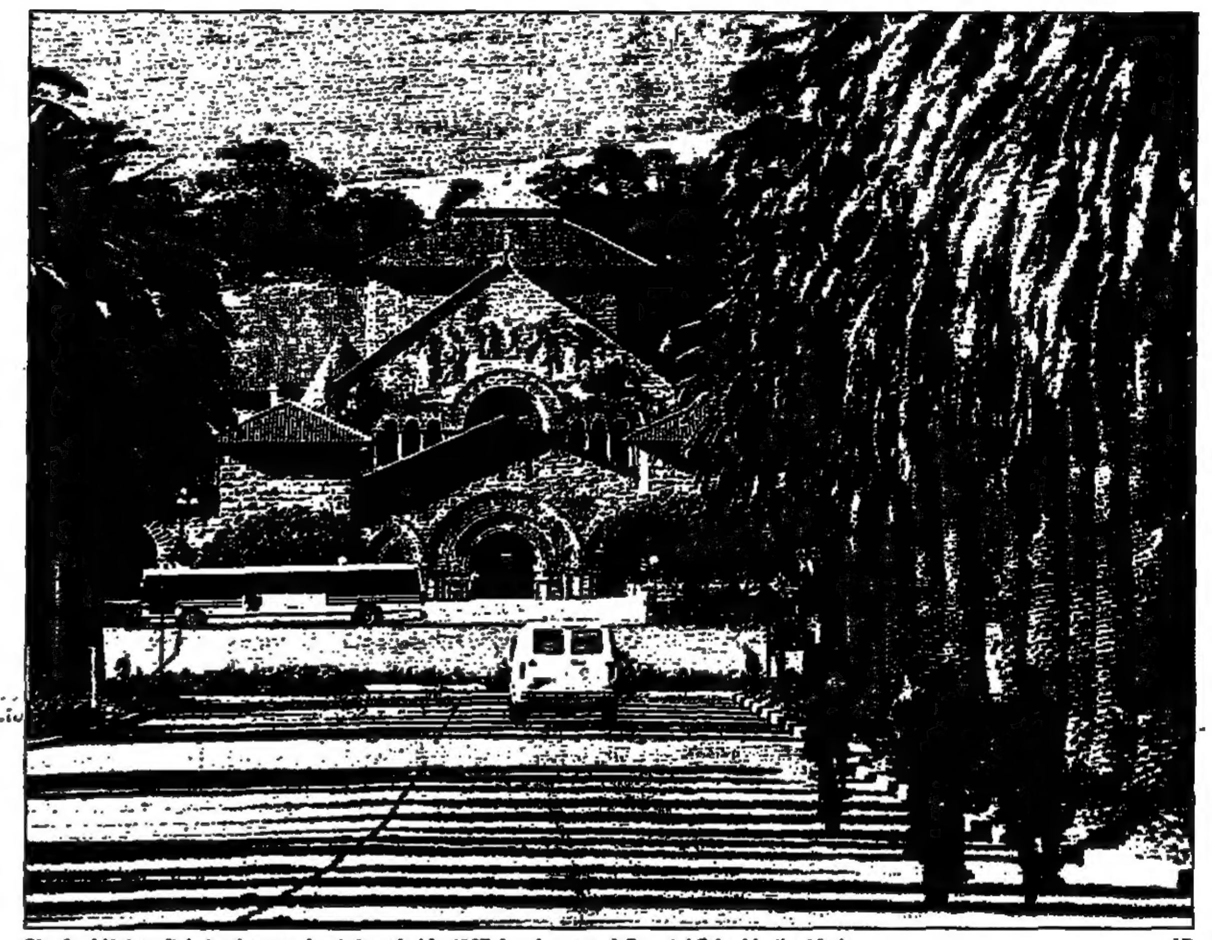
PROFILE
STANFORD GSB

Thriving on the Silicon Valley connection

Stanford GSB

Full-time MBA intake per year	730	Course length in months	21
Percentage of international students	30	Number of electives courses	125

'Stanford GSB makes a tremendous effort to create a non-competitive, team-driven atmosphere where each student contributes to the community as a whole. It has shaped my working style very strongly. I entered Stanford with very high expectations and they were all exceeded' *US alumnus*



Stanford University's business school, founded in 1925, has become fully established in the big league. AP

Stanford University's honey-coloured quadrangle, with its red-tiled roofs and church, looks like a Florentine monastery bathed in almost perpetual Californian sunshine.

In fact, it is styled on a Spanish mission. It is known as "the farm" because Leland Stanford, a California senator, raised racehorses there before he converted the 8,200-acre ranch into an academic shrine to his son in 1885.

When Herbert Hoover, a Stanford old boy, persuaded a group of businessmen that the west coast was sorely lacking in management education, Stanford seemed the obvious site for a business school. Founded in 1925, and drawing on the growing reputation of the university, it built up a reputation as a regional centre of business excellence.

But it was not until the 1960s, after it had improved the quality of its faculty by luring top academics from other leading business schools, that it began to challenge the supremacy of schools such as Wharton and MIT.

At the same time it began to pursue a policy of "balanced excellence" between its professional programmes and research. Stanford deliberately steered away from the Harvard "case study" model of research and began instead to concentrate on developing spheres of expertise backed by strong theoretical research.

Today it has become fully established in the big league, feeding into the sunrise industries that have emerged in the Santa Clara valley to the north of San Francisco.

The Silicon Valley connection is one of the greatest strengths of the business school and university. Information technology businesses, sparked often by the [illegible] ingenuity of former Stanford graduates, have proved a magnet for mid-career professionals looking for an opportunity to mingle with Silicon Valley entrepreneurs during a spell of study.

Stanford business school takes about 740 students a year into its MBA programme and just over 100 into its PhD programme.

It also offers the one-year Stanford Sloan programme for 47 mid-career executives and various other executive programmes that take in about 800 executives a year seeking to improve their management skills. Some of these are now centred in other international locations such as London and Singapore.

The academic programmes are built around a strong research faculty that excels in such areas as economics, finance, organisational behaviour, accounting and political science.

Partly because of its size, the school also encourages cross-functional collaboration within the faculty. In the past 10 years under its dean, Michael Spence, it has improved its links with business leaders in order to achieve a greater understanding of the most important issues facing companies. Its supply chain management initiative, for example, has attempted to develop state-of-the-art business solutions.

The Stanford project on emerging companies is another long-term study looking for common development patterns among entrepreneurial companies. The study is tracking the progress of about 160 small start-up companies in the San Francisco Bay area.

Entrepreneurship has become such an integral part of the business school that it has created a Centre for Entrepreneurial Studies designed as a resource to encourage research and teaching of entrepreneurship. It supports about 14 research projects.

Another recent development has been the construction of a residential centre allowing the school to offer more executive programmes during the academic year.

The Schwab Centre, designed like a small village, can house about 280 people. Built nearly two years ago, it has helped students to overcome a severe shortage of off-campus housing within commuting distance of the school.

The school continues to attract strong interest from recruiters, although a growing percentage of graduates are becoming involved in start-up companies. Management consulting continues to be the most popular source of employment for Stanford graduates ahead of investment banking.

The growing importance of the Santa Clara valley area for venture capital is also reflected in increasing numbers of graduates taking venture capital jobs.

The median base salary for a Stanford graduates entering consulting was \$91,000. The median for those in venture capital was slightly higher at \$93,000.

Richard Donkin

BUSINESS EDUCATION

PROFILE
MICHIGAN BUSINESS SCHOOL

There's method to be found in the madness

University of Michigan

Full-time MBA intake per year	433	Course length in months	20
Percentage of international students	27	Number of electives courses	188

"My MBA gave me more than the confidence in my ability to lead. It also gave me the grace and knowledge of when to simply lend a hand. In my work it opened the door to international projects, which is exactly what I wanted"

US alumnus

While it is traditionally the largest private business schools that grab all the headlines in the US – Harvard, Wharton Stanford, or Kellogg – a handful of state-run universities are beginning to prove that they can keep up with their more affluent counterparts.

One of the leaders is undoubtedly the University of Michigan Business School.

With a huge executive education programme – in terms of participants, Michigan has about 13 per cent of the world market for open (non company-specific) programmes – and powerful full-time and executive MBA programmes, Michigan has built its reputation by being in the forefront of management thinking, pragmatic teaching, and the use of technology.

Moreover, while many of the big US state schools concentrate on national, even local, curricula and student intakes, Michigan has built itself into one of the most international business schools in the US.

Under the stewardship of dean Joseph White, Michigan's whole approach to the MBA has been more eclectic than the more traditional schools which emphasise their finance programmes, say, or their marketing skills.

As an MBA will have to wait 10 or 15 years to become a top manager, there are a handful of fundamental issues that all MBAs need to be taught, argues C. K. Prahalad, Michigan professor and the man who, with Gary Hamel, coined the phrase "core competencies" in 1990.

Top of the list is the capacity to learn, followed by a capacity to collaborate and to integrate across intellectual as well as cultural heritages. That means a software engineer should be able to integrate with a marketing specialist, for example. Managers should also have a capacity to own up, or be accountable, he says.

The job of a business school should be to help students increase their "bandwidth", says the softly-spoken Prof Prahalad. "We also know there is a limit to the personal bandwidth of a student, so we need to help them increase the bandwidth by depending on the systems that help them increase their bandwidth."

While the traditional business school would teach different strands of management – accounting, statistics, or marketing – at the outset of the programme, Michigan plunges its MBAs straight into a course on leadership. By doing it at the beginning of the programme course participants have time to sort out any shortcomings, says Allan Cotrone, director of the office of career development. "You're working at the edge of chaos, but that is what the world is going to look like."

Prof Prahalad agrees. "We do many things counter-intuitive to other schools. If you think there's a lot of madness here, there's a method in it."

At a time when the powerhouse business schools concentrate on the big subjects, Michigan is earning itself a name in many of the more off-beat but forward-thinking subjects. Last year, for example, Michigan was among a handful of US business schools highlighted by the World Resources Institute, a Washington-based think-tank, for incorporating the environmental agenda into its curriculum.

Also last year Michigan was chosen by Catalyst, the women's rights watchdog, to study why there are so few women on MBA courses in the US – the figure is running below 30 per cent.

But it is in its international agenda that Michigan has won most acclaim. The school offers a global executive MBA programme using the latest videoconferencing technology to corporate participants in Brazil, Hong Kong and South Korea and on-site executive education programmes in India, eastern Asia and Europe.

It has established the William Davidson Institute as a research centre for emerging markets, particularly in eastern Europe, and has been designated as the only US business school school to operate the ABN-Amro loan scheme, which gives competitive loans to students from eastern Europe to study for an MBA overseas.

Michigan is also the US member of the China-Europe Business School in Shanghai, and it has set up a consortium of 30 companies in the Asia-Pacific region to deal with human resource issues. The consortium includes Philips, Volkswagen, Honda, Sony, and AT&T.

For the MBA students there are numerous opportunities to work on consulting projects overseas, both with indigenous companies and with multinationals.

As well as international experience the projects also force MBAs to work in teams, says Prof Cotrone. "Projects force you to define a structure as a team. You come back with no data and you're in big trouble."

Della Bradshaw

INTERNATIONAL AGENDA by John Authers

Recruitment crosses the borders

Links with facilities overseas help schools to develop broader understanding

Top business schools no longer work in purely national markets. The demand from employers is for recruits with the skills needed to work in many different countries and cultures, and so potential MBA students themselves also want a course which can show they have a thorough international grounding.

Large European business schools, notably the London Business School, Insead, and IMD, appear to have a built-in advantage. Set in Europe, in or near large and cosmopolitan cities with several national borders close by, they can readily provide the range that students are looking for.

The largest and best-known US business schools, with internationally-recognised names, led by Harvard Business School, also have little difficulty in attracting students from a wide enough variety of cultures to keep potential MBAs and recruiters happy.

Other schools – led by the University of Pennsylvania's Wharton, and Northwestern University's Kellogg – have built their brand name in recent years to a stage where they are arguably just as well known outside the US. Improved communications, and particularly the internet, have made it much easier to attract foreign students without embarking on too many costly trips to international recruitment fairs.

But internationalism raises the barriers for the schools which are not yet in the small group of dominant operators. Now they not only need to build their credibility in the US, but they also need to develop a global brand name so that they can offer students an international experience. However, several ambitious and relatively new business schools – all of which are helped by attractive locations and large endowments to use as a battle chest – are attempting to make the leap.

Georgetown University's McDonough school, founded in 1984, puts internationalism at the heart of its approach. Christopher Puto, its dean, says: "When students finish the Georgetown MBA programme we claim they are far better positioned to compete in the global marketplace."

About 70 per cent of Georgetown MBA students speak more than one language. Mr Puto, a marketing professor, expresses the challenge of building the school's reputation to one comparable to that of Wharton or Kellogg as one of brand management.

"You have to build a global brand name. You have to put in place a structure which ensures that the students who come will have a comparable educational experience. Some of the best schools have taken on positioning niches – Kellogg for a long time was highly positioned as a marketing school, and Wharton as a finance school.

"We are seeking to position ourselves in three functional areas of business – marketing, finance and operations."

Emory University's Roberto Goizueta School of Business – named after the Coca-Cola chief executive who died two years ago – also has the benefit of a large war chest thanks in main part to the university's relationship with the Coca-Cola company.

Thomas Robertson was recruited as dean last year from London Business School, and has set about an aggressive campaign to build Goizueta into an international power, building on its location in Atlanta, the fast-growing business centre of the New South. It already draws one-third of its MBA students from outside the US.

Links with foreign business schools, allowing students to be taught in more than one country, are growing in popularity as a way to impart the international experience. It was instrumental in the growth of Kellogg, while one US business school – Chicago – has even gone to the lengths of building a separate campus, in Barcelona, to attract more students. This made it easier to persuade Europeans to attend.

Others put less emphasis on offering separate locations in favour of trying to make the experience at their home base as international as possible. George Daly, dean of New York University's Stern school, situated in the centre of Greenwich Village and barely a mile from Wall Street, said the school's location was integral to what it offered. He also wanted to avoid diluting the quality of the faculty teaching students by requiring some of them to spend time far away from their home base.

Jeff Garten, dean of Yale's School of Management, also puts more emphasis on creating an international experience at home, rather than sending students out and about while they are studying.

The Yale name, and New Haven's proximity to Boston and New York, help to sell the school to foreign students. But he adds that his mission is "to create a culture in which it's quite easy to learn about other cultures".

PROFILE
McGILL

Montreal draws strength from strong eastern ties

McGill University

Full-time MBA intake per year	163	Course length in months	20
Percentage of international students	54	Number of electives courses	73

"McGill University has a great professional staff and is in tune with what is important to the marketplace. Combine a university with great academic credentials with a unique and fun city to live in (Montreal) and you get the most for the least cost"

Canadian alumnus

As a city, Montreal has always been a meeting place for two cultures and two languages. It is not surprising, then, that its premier business school, McGill, has set out its stall as a meeting place for international management.

More than half the full-time MBA students at McGill are from outside Canada and 40 per cent of them take up job offers in countries other than the ones they worked in before starting their MBA.

Although the international focus is inherent throughout McGill University, it has been promoted particularly strongly in the business school by Wallace Crowston, dean for the past 12 years.

It was while working for the US business school body the AACSB prior to becoming dean at McGill that he realised how inward-looking many of the big US business schools were. Additionally, Prof Crowston developed a fascination with China when he began working for the Canadian International Development Agency in China in 1982. "When I came to McGill it was very much my interest to develop that," he says.

McGill continues to manage the C$27m project which brings business training to managers in China. The school's Centre for International Management Studies also runs an executive programme for financial services managers in China, a course designed with Canada's Royal Bank and the Great-West Life Assurance company.

The culmination of McGill's pre-occupation with China came last September when it set up a financial training centre as a joint venture with the Shanghai bankers' association.

McGill has developed a reputation for creating other innovative international management programmes. Its most famous professor, Henry Mintzberg, designed the International Masters Programme (IMP), one of the first executive masters programmes to send groups of students to different locations to study – in this case Canada, the UK, France, India, and Japan.

All the participants are sponsored by their companies, each of which sends a small group of participants. The programme is proving particularly popular, with more new companies wanting to join. "Without very much marketing we've managed to generate a lot of interest," says Prof Crowston.

Perhaps McGill's most innovative international move to date has been its decision to run its MBA programme in Japan. McGill's decision to target Tokyo was based partly on the success of the IMP, in which one of the participants is Hitotsubashi University in Japan. More significantly, the provision of US-style MBA programmes in Japan was negligible. In Hong Kong, by comparison, there were nearly 50 foreign MBA programmes to choose from.

With a student body that is split three ways between Canadian, Japanese and other international students, the Japan version of the McGill MBA is taught at weekends and looks very much like an executive programme. However, insists Prof Crowston, the number of teaching hours is the same as on the full-time programme in Montreal – 780 hours – and students can switch between the two programmes.

The Tokyo MBA is taught on the Yotsuya campus of Sophia University in central Tokyo and is seen as a model for other ventures. Indeed, the business school could have two similar programmes up and running by 2000. One looks set to be in western Europe, the other in the Gulf. Within the next 10 years McGill could be offering its MBA in up to five locations outside Canada.

At the moment McGill faculty are all particularly keen to teach in Japan, but Prof Crowston is aware that this thirst for international exposure might not last if the school expands very rapidly overseas. "More people want to go to Japan than we have slots. I can envisage a time when that might not be the case."

Della Bradshaw

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BUSINESS EDUCATION

EMPLOYMENT IN FINANCE by John Authers

Harsh lessons from Wall St

Investment banks are still recruiting MBAs, but students find the dynamics of recruitment have changed

For MBAs, the rules of the Wall Street game have changed. Last year, when many MBA students hopeful of a job there were busily taking internships in investment banks, New York's markets took a sudden and dangerous lurch.

The Russian debt default, announced late in August, led to the biggest single-day fall in the Dow Jones Industrial Average, and led to almost total collapse in the corporate bond markets, on which many investment banks depend for profits.

Many investment banks were in the throes of implementing ambitious mergers, and lay-offs were the only solution.

It was a rather more drastic lesson in the potential risks of working on Wall Street than any of the students can have expected.

Now that Wall Street's hiring season is over, the effects on MBA recruitment have not have been as dramatic as expected. Investment banks have felt obliged to keep their MBA recruitment running, even if they are shedding people elsewhere in the firm.

Edward Goldstein, at Brecker & Merryman, a New York personnel consultancy, says: "The efforts in terms of building relations with leading business schools, and building a reputation on campus, are such that if you turn that spigot on and off you do significant injury to your ability to recruit down the road."

So banking chief executives still made regular appearances on campus late last year – particularly at the schools which specialise in finance, such as Columbia and New York University's Stern school, which are both physically close to Wall Street, and the University of Chicago.

Demand for jobs on Wall Street also seems to be only slightly tempered by last year's events. As one placement officer put it: "Anyone who made a decision to go to Wall Street and spend a summer there has to be able to deal with these downturns. No one really second-guessed their career decision."

But if the total number of jobs on offer at investment banks has remained roughly unchanged, the dynamics of their recruitment game are changing.

Last year saw the end of several years of hyper-inflation in first-year offers.

Mr Goldstein says: "You are seeing a stabilisation and slowdown of the rather insane escalation that was going on in the two or three previous years. There's been a dampening down of the competitive push upwards, but you still have the consulting firms who are competing for the same talent."

Investment banks also felt that applicants were under much more pressure to decide on offers quickly last year, another signal that the balance between supply and demand was changing. They would once allow students the luxury of several weeks to decide; last year they were hurried, and forced to make swift decisions by recruiters working to much tighter quotas.

Tom Fernandes, at Columbia, says: "Firms were cautious in their offering. They wanted to manage the yield a little more carefully and have students make decisions, sooner. It's risky for them to have a number of open offers across schools."

Flashback: New York's markets took a sudden lurch in August after the Russian debt default AP

He says there was a slight dip in the number of summer interns being offered jobs. There was also a decline in recruitment to emerging markets trading, the area which has been worst hit in the last 18 months, although he stresses that this had never accounted for a particularly large proportion of recruits.

At Stern, where almost 50 per cent of students take jobs in investment banking, the same picture emerged. George Daly, its dean, says: "The window of opportunity closes much more quickly. Firms want to turn around an offer within four or five days. They don't want students shopping their offers around."

Stern also noted a dip in recruitment to emerging markets and other trading and sales jobs, but saw continued heavy recruitment to mergers and acquisitions, a business which is still booming at unprecedented levels.

None of this seems likely to reduce the popularity of finance as a specialism. It has grown in popularity almost as swiftly as entrepreneurship in recent years.

Yale's School of Management set up its own centre for international finance last year, and William Goetzmann, who heads it, suggests that the discipline would remain popular even if Wall Street moved into a bear market.

"Finance offers a few things which are very attractive," he says. "It represents a body of knowledge and tools which can be applied to many different situations. It's a box of tricks which can be used to decide whether a project is worth doing or not – whether it's a marketing decision or an economic decision or whatever."

He adds that one of the single scariest events to hit Wall Street last year, the rescue of the enormous Long Term Capital Management hedge fund, had benefited the course. "The LTCM meltdown was fantastic for us because it was a vehicle for teaching," he says. "They were doing risk arbitrage, and it was a wonderful way to motivate our people to look at arbitrage models. And we looked at management contracts and how they affect the decisions managers take."

Mr Goetzmann set an end-of-term exam based exclusively on Long-Term Capital Management.

Wall Street's problems have also created more work for schools' careers departments. New York University's Stern school reports that it has had to field plenty of calls from alumni over the last few months. Suddenly down-sized after only a few years in the job, the best place to turn seemed to be the office which found them their first placement.

Which all underlines that students should be basing their decision on a lot more than the financial contents of their first-year package.

While salaries in consultancy look attractive for graduating MBAs, the money in the long-term is in finance and banking.

Job sector	Salary on graduation	Salary today
Finance and banking	$68,401	$119,333
Consultancy	$78,405	$117,811

PROFILE
INSEAD

Star performer may outgrow the forest

Insead			
Full-time MBA intake per year	605	Course length in months	10
Percentage of international students	88	Number of electives courses	65

'Insead is in the optimal position to develop an international mentality since there is no predominant nationality on campus. Equally, the alumni network is truly international'

German alumnus

When it was established in the early 1960s as the business school to train Europe's brightest managers, few of the founding fathers could have envisaged that Insead, would become a by-word for international management training.

But these days, of the 600 MBAs who join its gruellingly intensive 10½-month programme every year, only 12 per cent are French. When they graduate, 48 per cent of the class take up jobs in a country other than the one in which they worked before starting their MBAs.

By far the biggest recruiters at Insead, situated in the forest of Fontainebleau about an hour's drive from Paris, are the management consultancies. Indeed, the big five or six firms regularly cite Insead as one of the top handful of business schools they target. (The others in the group are almost invariably the big US schools, such as Wharton, Harvard, and Kellogg).

The international flavour of the school is also reflected in the teaching faculty. Eighty-six per cent of the faculty come from 23 countries outside France, and 10 nationalities are represented among the 24 members of Insead's board of directors.

With a powerful portfolio of executive courses accounting for some 50 per cent of the school's revenue, Insead's dean, Antonio Borges, has now turned his attention to building up the school's research capabilities though the establishment of a doctoral programme and the setting up of a fund-raising campaign to boost research coffers.

Over the past 30 years Insead's growth, year on year, has left its European rivals standing. In September last year Prof Borges announced that Insead intended to set up a replica school in Singapore. To begin, the Singapore campus will be just half the size of its French parent, but within 20 years Prof Borges expects the two schools to be mirror-images of each other in size and programmes.

A big problem for Insead will be attracting appropriate faculty to the school. Indeed, Prof Borges is wont to say that attracting suitable faculty to Fontainebleau is already one of his hardest tasks.

Not surprisingly, Insead's expansion plans have brought some problems at home as well as overseas. Late last year Prof Borges gave the local authorities in Fontainebleau an ultimatum that if they did not allow Insead to expand its facilities there the school might be forced to move. Sites in Germany (Munich) and Switzerland (Geneva) are the favourites if he decides to carry out his threat.

A particular difficulty is that the forests around the school are protected and that Insead has been unable so far to persuade the planning authorities to allow it to convert existing buildings in the area. Prof Borges is adamant that he will not split the Insead campus in France by opting, say, to run executive programmes in Paris.

It is an option, however, that might be thrust upon the school following the announcement at the turn of the year by the Paris Chamber of Commerce that it wanted a number of French business schools to merge, or work more closely together, in order to bring French management education more in line with the US or UK model.

In particular, the chamber wants Insead to work with HEC in Paris, the best known among the French Grand Ecoles for management education. The aim is to increase the number of international students on HEC programmes from 25 per cent to 50 per cent in five years.

Insead says it has no problem with academic collaboration between the two schools. Indeed, it points to its collaboration with other business schools on both research and executive programmes.

However, a merger is definitely not on the cards, Insead insists. With the Paris Chamber of Commerce owning the ground on which Insead is built, the school may find it difficult to resist closer collaboration with HEC if put under pressure. All of which could make Geneva or Munich look like increasingly attractive propositions.

Della Bradshaw

SMALL MBAs by George Bickerstaffe

The pros and cons of sizes

Cost contraints suffered by some programmes may often be outweighed by other opportunities

Smaller programmes are seen to provide better networking opportunities — Paul Simcock/LBS

The size of MBA programmes varies enormously. Harvard in the US has a yearly student intake of nearly 900 while Ashridge in the UK takes in only 30. But is there any real difference between large and small programmes?

Dominique Turpin, MBA programme director IMD in Lausanne, which restricts its intake to around 80, believes that small is beautiful but admits there can be disadvantages.

"There is a certain lack of visibility, and advertising a programme becomes very expensive per student admitted compared with a programme of 500 students," he comments.

But, he adds, "smaller programmes encourage a better network among the students. A larger programme may have a bigger network but you can be in the same year as someone and never meet them."

The Amos Tuck business school of Dartmouth College in the United States, which with around 180 students is regarded as a small school, also believes that its size leads to a strong sense of community which translates into strong alumni loyalty.

With about 70 students at present and plans to grow to 120 over the next few years, the Judge Institute of Management at Cambridge University also sees itself as a small programme. According to Dr Chong Ju Choi, MBA programme director, "smaller programmes create much better teams and collaboration – and of course teamwork and collaboration have been the key issues in management for the last 10 years".

Small programmes are not without disadvantages, of course. In particular, small student numbers tend to mean small faculty numbers and a corresponding reduction in the number of elective, often specialised, courses that are offered.

Many schools, such as Tuck, try to tackle this problem by bringing in visiting faculty or through liaisons with others schools. But ultimately Tuck concedes that its students may have fewer options in terms of content and faculty than they would have at a larger school. But it feels the trade off is positive.

Tuck's Professor Ken Baker, associate dean for the MBA programme, argues that having fewer people involved allows greater flexibility.

"We can accommodate non-standard teaching methods or assignments that much more easily," he says. "For example, with not that many faculty teaching on the required programme it is easier to organise cross-functional cases or team teaching.

"And there is obviously a lot better access to faculty and also to administrative staff, particularly the dean, and people you might not meet on a large programme such as the head of alumni relations or people running executive education programmes. And there is a lot more opportunity to meet executives on short courses. On small programmes, they often outnumber the MBAs on campus."

Smaller numbers also allow better control of a programme – in selection of students for example.

"Does a small programme make it easier to admit the best students? Yes and no," says IMD's Professor Turpin. "Certainly it is easier to select 83 outstanding students from around 800 applicants. But on the other hand – though it hasn't happened yet – I would be concerned if I had to turn away an outstanding student.

"It also allows you to run the programme a little more tightly," he adds. "When you get students looking for a job, for example, on a large programme you get them running off for job interviews and no one is quite sure where they are. Here we can keep an eye on them."

Recruitment is perhaps the key area to be affected by programme size.

At IMD, careers chief Julianne Jammers says that small numbers allow her to be on first-name terms with the students and to help them determine their aims. "I have the time to spend to help them focus," she says.

Steve Lubrano, director of career services at Amos Tuck, shares that view.

"I don't think being a small school is a significant disadvantage – in some ways it's an advantage," he says. "From the recruiters' point of view, they may not see so many students but they know they will see all the ones who are interested and they know that the careers service office will know all those students well.

"And from the students' point of view they know that they will not have to compete with lots of their classmates for jobs."

This lack of job competition is one of the key attractions of smaller programmes. According to IMD's Ms Jammers, most job searches are so specific that students are not really competing with each other. And, she says, if it does get down to a short list of two, then usually the recruiter will take both.

Unusually, and this is true of most small programmes, if students decide not to pursue a career offer then they often recommend other fellow students.

"I have noted at least six cases of that this year, which I think is really amazing," says Ms Jammers.

However, getting a job from a small programme is not all sweetness and light.

"The big drawback of small programmes is that a lot of the big recruiters such as the management consultants and the investment banks say they want a critical mass," comments Cambridge's Dr Choi. "They often say they want to see 10 per cent of a class, which is fine if you have an intake of 300. It can be hard to persuade them to come to see seven or eight."

There is one final and perhaps unexpected problem.

"The team work and collaboration engendered by small numbers can actually work against students when they are interviewing for jobs," says Dr Choi. "In that situation you really need to be aggressive."

It is a scenario that many small programmes recognise.

"Yes. Like many small schools, Tuck is very team oriented and very collegiate and that can come through in interviews," says Mr Lubrano "We have to teach them that, while they don't have to be aggressive, an interview is a time to talk about themselves. A number of recruiters have raised this point with us and we are responding. It's something we are working on."

PROFILE
IESE

Speaking language of change

It is a standing joke at Iese, in Barcelona, that the dean spends more on gardeners than he does on faculty. Though just a joke, it is easy to see how the quip started.

Iese – Estudios Superiores de La Empresa – must be one of the few business schools in the world set in lush, carefully manicured sub-tropical gardens with a panoramic view in one direction of mountains and in the other of the sea.

It is not surprising, then, that most MBAs who decide to study at Iese have previously been there to visit. And when they graduate many decide to stay.

To European or American eyes Iese, unlike Insead, London Business School or IMD, has traditionally been seen as a national (Spanish), rather than an international, business school. Carlos Cavallé, dean at Iese since 1984, plans to change much of that.

To begin with, he is increasing the number of English-speaking students on the two-year, full-time MBA programme. Last year the MBA intake of 210 was split three ways: one group Spanish-speaking, the second English-speaking – although the students are required to learn Spanish – and the third bilingual.

From this year one class will be Spanish-speaking and the other two will be taught in English.

That said, Iese propounds a different philosophy to, say, Insead on what an international MBA programme should be.

A programme with no dominant culture, says the faculty, does not replicate an international business environment and is unlikely to be found anywhere outside a business school. Much better, they say, is an international experience within a dominant culture.

Although the mainstay of the school is Iese's widely-regarded portfolio of executive programmes for Spanish-speaking executives – executive education accounts for about half the income of the school – Iese is increasing the number of international executive programmes it runs in English. It holds these in partnership with US business schools, notably Harvard, Michigan and the Sloan school at MIT.

Being seen as a Spanish school may be one reason why Iese has not attracted the reputation in Europe that schools such as Insead have achieved, says Jordi Canals, associate dean. In particular he points to the somewhat negative view many people have about Spain in business terms.

"When you observe Spain, that has a weight," says Prof Canals. "But we are convinced that will change. With European monetary union the location will become much less important."

Of more concern to some may be the links Iese has with the lay Catholic organisation Opus Dei, which founded Iese in 1958. Religious paintings and artefacts adorn the school, but present MBA students seem unperturbed by the connections, regardless of their religious affiliations.

About one-third of the Iese faculty belong to the organisation, though Prof Canals insists that the relationship has never impeded the admission of students or appointment of faculty.

It is only the moral standards that the school maintains, he says, referring to Iese's strong preoccupation with the ethics of business.

"The students get a very clear feeling that they are not just going to deal with technical questions. We need to foster a sense of social responsibility," says Prof Canals. "Management is about people. Sometimes we think management is about running large corporations."

While Iese may not have such a strong reputation in Europe and the US, its position in South America is unencroachable. Iese has helped to set up eight business schools in Central and South America, from Ipade in Mexico to the Escuela de Dirección in Lima, Peru, as well as schools in Portugal, the Philippines and Nigeria.

The relationship between Iese and its partner schools include exchanges of professors and ideas as well as participation by Iese faculty on advisory boards. The Iese faculty also helps to run executive courses.

Indeed, the relationship between the schools is not dissimilar to the relationship Iese shares with Harvard, which was instrumental is starting the Iese MBA programme in 1963. (Iese's first programme was an advanced management programme for executives.)

Since those early days the links between Harvard and Iese have grown stronger, says Prof Canals. As well as a number of jointly-run executive programmes, by far the largest number of professors at the school with doctorates earned them at Harvard.

Like many of its competitors, in both Europe and the US, Iese is now planning to expand the school. This month in Madrid, where Iese runs its executive MBA programme and many short programmes, the school began building work on more classrooms.

A similar expansion will take place in Barcelona, where Iese has bought a building across the street for conversion. It may be a block away from the main Iese campus building, but the view is just as good.

Della Bradshaw

Iese

Full-time MBA intake per year	220	Course length in months	21
Percentage of international students	49	Number of electives courses	87

'The MBA has opened up an international career path which would have not been possible with my previous engineering degree. The school provided me with excellent help in finding work after graduation'

German alumnus

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